

**Decision made under the Council's Urgency Procedure by  
the Leader of the Council on 20 April 2020**

**COVID-19 Business Improvement District Cashflow Loan  
Scheme**

<b>Lead Member</b>	<b>Leader of the Council Councillor Izzi Seccombe</b>
<b>Date of decision</b>	<b>20 April 2020</b>
	<b>Signed</b>

**Decision**

That the Leader of the Council:

1. Supports the provision of short term, interest free cash flow loans to Business Improvement Districts across Warwickshire to be repaid within the 2021/22 financial year and with a total maximum overall lending limit of £120k.
2. Authorises the Strategic Director for Communities and Strategic Director for Resources to make the loans in accordance with the allocation criteria set out in paragraph 1.7.

**Reasons for decisions**

An urgent decision is required of the Leader to provide cash flow support to ensure in the immediate term 420 businesses across all sectors in Stratford Upon Avon continue to be provided with Business Improvement District (BID) support. In the next few months other towns that contain BID's may require this short-term support during the Coronavirus emergency which will assist WCC in the immediate retail and town centre economic recovery, indirectly supporting another 800 businesses.

## 1.0 & 2.0 Background information

### 1.0 Key Issues

- 1.1 BIDs are business-led partnerships that agree by ballot to pay an extra levy on their business rates based on their rateable value to fund activities, deliver joint economic and business development initiatives and improvements that will benefit the businesses and the place in which they operate. The agreement is for a maximum period of five years and the projects they deliver improve the local economy and business outcomes for businesses and local communities.

During the COVID-19 emergency, BIDs will support local businesses to find new and innovative ways to maintain trading and support other community initiatives to help more vulnerable people. In addition, they will commence preparations for a locally led recovery to help local town centres bounce back once the Government's social distancing rules have been relaxed.

Going forward, BIDS will have an even more strategic role working alongside WCC and other key local stakeholders like Borough and District Councils, Town and Parish Councils, CW Growth Hub, CWLEP and central Government to help facilitate recovery plans for the town centres. The BID Directors can assist as key place specialists in looking at what is needed for the recovery stage for the town centre and what else the BID's can deliver in partnership.

- 1.2 BIDs are established as not-for-profit companies and have a Board of Directors comprising businesses in the area who are levy payers together often with representatives of the local authority. BIDs employ staff or appoint consultants to implement the business plan as agreed at the ballot and to deliver the activities and services. Due to the nature of the not for profit business model BIDS do not keep large financial reserves and are not organised to deal with shocks in levy collection.

- 1.3 Central Government, Association of Town City Management. (ATCM) and The BID Foundation Advice

Our Warwickshire based BID's along with others across the country have been lobbying central government through their various memberships organisations to include BIDS specifically in their COVID-19 support package. Pleas from BIDS nationally to the Government for an English BIDs Resilience Fund have so far come to nothing. The Scottish devolved government have put in place a £1million fund to support their 37 BIDs in the expectation that the levy collection rates will drop off. There is hope that the Chancellor may follow this lead. If this is the case then the full potential use of the support identified in this report may not be needed.

BID levy collection is due annually and creates an annual front-loaded income cycle to BID cashflow. This levy collection timing varies between our 3 BIDS, with Stratfordward BID starting in April, BID Leamington in July and Rugby First in November.

Stratforward BID have received advice from The Bid Foundation earlier this week that says BIDs should adhere to the timetable for billing in order to protect their legal status.

This proposal is a short-term emergency measure to ensure Warwickshire's BIDs have a chance to Survive during the levy collection time.

#### 1.4 Stratforward – 420 Businesses

Stratforward have taken immediate steps to maintain only one member of staff working at 80% salary, whilst furloughing the rest of the team. The Government's furloughing portal will not be ready until the end of the month, and it could be at least eight weeks before payments are forthcoming to contribute to this wage bill.

Stratforward is at the start of its financial year and was therefore just about to send out its annual Levy bills. It may still need to do this once it has had clarification from central government on the process of levy collection in such uncertain times and in any case has low expectations of receiving much income if it does go ahead.

In the short term the BID is answering questions, offering advice and signposting to business support services, as well as promoting member services that have changed overnight. Their member feedback says it is making a real difference having someone local and whom they trust to help them cope with the current situation. For some, the assistance they are able to give at this time could prove to be the difference between survival or collapse. They are working with the Federation of Small Businesses (FSB) and other BIDs to run online Q&A sessions for the retail community.

The Organisation has discussed a CBILS loan with the Lloyds Business Banking team and an application is underway. However, Lloyds have stated they are under a huge amount of pressure with so many business clients in distress or seeking help. It is therefore not clear if or when any funding may be made available through this route.

Stratforward applied to Stratford District Council (SDC) for a £137k revenue grant to support the BID for 6 months and this was refused by SDC. This decision was based on the way in which SDC want to continue to support businesses in its area, as well as current financial pressures and the potential uncertainty of levy collections.

Stratforward has insufficient cash flow to survive until the furloughing income is received, any CBILS funding comes in or the 2020/21 levy income is received and have asked the County Council whether it is in a position to offer immediate temporary support.

#### 1.5 Leamington – 400 Businesses

BID Leamington comprises 100% retail and leisure businesses. The BID is not sure how many of its levy payers will survive until July / August. They have two

permanent staff members, and both are currently continuing to work their full hours. The next Levy bills are due to be issued on 1<sup>st</sup> July, 2020. They have enough funds to see them through to July.

All their existing contracts are being reviewed where possible, however most of these will be difficult or inappropriate to alter at this time.

After July BID Leamington will be in a similar position to Stratford as they suspect businesses will not have an appetite for more bills, and so face a cash flow crisis at a time when their services are of high value to their town.

#### 1.6 Rugby First – 400 Businesses

Rugby First is currently maintaining a full service to Town Centre businesses.

They have had to furlough only one member of staff who looks after the Market Division (the market and all other concessions currently being closed).

Rugby First are actively supporting businesses through a special covid-19 page on their website, daily social media posts and a weekly newsletter outlining support available that is also going out to all businesses via e-mail. They are using experience as former Growth Hub Account Managers and qualified Business Mentors to give advice and guidance to businesses who make contact.

Rugby First were due to go to ballot in June as their 5 year mandate ends in October. The Government through additional emergency legislation has allowed BIDS an extension to the 31<sup>st</sup> March 2021 which means they can delay the ballot until the restrictions are lifted but could still face problems.

They will need to ask businesses to pay levy to cover the period 1<sup>st</sup> November – 31<sup>st</sup> March at a time where businesses are recovering from the losses they will have incurred as a result of the virus. It is highly likely that many businesses would not be able or willing to pay the levy and without new levy funding, they would run out of cash by the end of the calendar year.

Rugby First is not in imminent danger of financial collapse but has confirmed funding only through to October so may need access to an emergency loan during its extended BID term period.

#### 1.7 COVID-19 Business Stakeholder Support Loan Scheme

The proposal is to establish a 0% interest cash flow loan scheme that can be accessed by BIDs. The Scheme will be overseen by the Strategic Director Communities and final decisions to agree any loan will be taken jointly by the Strategic Director Communities and Strategic Director Resources.

Applications will be sought against key criteria, with an accompanying cash flow projection to ensure the small loan has the ability to be repaid in full.

Within the criteria we will look for evidence of future cash flows of these organisations which give us confidence that our loan will be repaid i.e. they should have a clear commitment or guarantee from another organisation, or otherwise demonstrate clearly that they fit the eligibility criteria for another scheme such as the government's 80% scheme.

We will set up an agreed payment schedule based on the submitted evidence and criteria including the clause for ability to charge interest after the 6 month period.

If central government create a support package for BIDS in the short to medium term, as detailed in Paragraph 1.3, WCC will include the ability in the loan agreement that the WCC loan is repayable in full by the BID within 30 days of receiving the central government support funding.

This form of support is permissible under the state aid rules as the support proposed does not exceed 200,000 ECUs over a rolling 3 year period.

## **2.0 Options and Proposal**

### **2.1 Option 1: Do nothing**

By the end of April Stratforward, and later in the year the other BIDs may be forced to go into administration without a cash injection. This will remove a key support network in the short term for 1200 businesses in the area, adding further pressures to the local economy and ultimately the public sector.

Allowing BIDs to go into administration will remove key local partners and support networks. These networks will inevitably be needed in the economic recovery phase of COVID-19. To reinstate similar "place" support would cost WCC resources to facilitate, and would lose the benefit of the existing networks and collaborative approaches that the BIDs have created, supported and maintained. We would also lose the benefit of the local knowledge and intelligence that flows from the BIDs to our county-wide approaches.

### **2.2 Option 2: Await a National Response**

An alternative option would be to wait to see if any funding will become available through central government. The BID Foundation and Association of Town City Management are currently lobbying government for support; however there has been no response as yet so this route is unlikely to assist those in immediate need of support. Any funding of this nature is expected to deal with the medium to long term issues faced by BIDs rather than be available to them in the near future based on all the other current government intervention timescales. By the time this funding is available the Warwickshire BIDs may have ceased to exist.

### **2.3 Option 3: Set up The BID Cashflow Loan Scheme**

The loan scheme will maintain a network of BIDs in Warwickshire which allows them to continue to support Warwickshire's economic centres and react to new trends and demands on those places. The BIDs have created an existing business network and collaborative approach to support within the town centres. They can look for all of the positive changes and trends that have emerged from the crisis and use it to build a stronger, more resilient, coordinated network of support.

Option 3 is recommended as an appropriate and meaningful response to the COVID emergency and will support a coordinated approach to town centre recovery.

### 3.0 Financial implications

- 3.1 WCC would look to use a maximum total £120k revenue funding in maintaining a network of business support in town centres. This £120k of loaned funds would incur indirect costs to WCC.

Any loan made by the County Council would be a non-treasury investment. The costs of this provision to the County Council if repaid during the 2021/22 financial year would be:

- The loss of income as a result of interest forgone, which is about c.£2.9k if £120k loans are outstanding for 18 months

Central government have given the County Council a £14m grant towards the emerging Covid-19 related costs, the majority of which is expected to be directed towards social care issues. Local decisions made around non-delivery of income and additional costs will be funded through a combination of the £14m grant and other reserves the County Council holds.

As the total estimated spend in response to Covid-19 is now above the £14m grant there is a need to consider the prioritisation of this spend compared to other County Council activity that will need to be foregone.

This form of support is permissible under the state aid rules provided the support required does not exceed 200,000 ECUs over a rolling 3 year period.

### 4.0 Environmental implications

- 4.1 None

### 5.0 Timescales Associated with the Decision and Next Steps

- 5.1 It is appropriate that this report should be dealt with under the urgent decision procedure in the County Council Constitution because the governance structure of these stakeholders prevents them applying for any short term current National and Local support. Without this help the first BID in question will have no choice but go into administration due to COVID removing support function to 420 businesses in Stratford Upon Avon within the next month.

<b>Report Author</b>	Aaron Corsi
<b>Assistant Director</b>	Dave Ayton-Hill
<b>Lead Director</b>	Mark Ryder
<b>Lead Member</b>	Leader of the Council

<b>Urgent matter?</b>	Yes
<b>Confidential or exempt?</b>	No
<b>Is the decision contrary to the budget and policy framework?</b>	No

<b>Lists of reports considered</b>
Not applicable
<b>List of background papers</b>
None

<b>Members and officers consulted and informed</b>
<p>Portfolio Holder – Councillor Izzi Seccombe</p> <p>Corporate Board – Yes</p> <p>Legal – Jane Pollard and Nichola Vine</p> <p>Finance – Andy Felton and Virginia Rennie</p> <p>Equality – N/A</p> <p>Democratic Services – Paul Williams</p> <p>Councillors –  Councillor Adrian Warwick (For consent to urgency)  Councillor Izzi Seccombe  Opposition Leaders</p> <p><u>Vicki Barnard</u></p>