

REPORT FOR DECISION



DECISION OF:	Cabinet
DATE:	25/03/20
SUBJECT:	Business Responses (Coronavirus Impact)
REPORT FROM:	Councillors; David Jones, Leader of the Council and Jane Black, Cabinet member for Corporate Affairs and Regulatory Services.
CONTACT OFFICER:	Paul Lakin, Head of Economic Regeneration
TYPE OF DECISION:	Executive - Key
FREEDOM OF INFORMATION/STATUS:	For Publication
SUMMARY:	<p>It is clear that the Coronavirus outbreak will have serious implications of a short and long-term nature for businesses within Bury.</p> <p>In recognition of the economic impact, the Government has rushed through a series of announcements designed to stabilise the situation, with a package of support including: agreement to pay the wages of staff who would otherwise have been made redundant, access to loans, additional business rates reliefs to the retail, leisure and hospitality sector and one-off grants to smaller businesses</p>
OPTIONS & RECOMMENDED OPTION	<p>Cabinet is asked to:</p> <ul style="list-style-type: none">• Note the national support announced by the government to support business affected by the COVID-19 crisis;• Note the progress the council has made in administering the reliefs and grants announced by the government and which the council is responsible for administering;• Note the current routes available to individuals experiencing financial problems that is affecting their ability to pay council tax;• Note the position on the hardship fund and that the majority of this funding will be utilised to support households already eligible for the council

	<p>tax support scheme and new claimants;</p> <ul style="list-style-type: none"> • Approve the option to provide a 2 month rent holiday to business in the council’s commercial properties who are able to evidence financial hardship at a maximum cost £480k; • Approve the option of providing a 2 month rent holiday to traders in Bury market at a cost of £440k; • Note that any decisions made in offering rent reliefs are not funded by the government and will need to be met by the council; • Agree that reminders for debt should not be issued in April and that a review will be carried out before the end of April to inform future arrangements;
IMPLICATIONS:	
Corporate Aims/Policy Framework:	Do the proposals accord with the Policy Framework? Yes No
Statement by the S151 Officer: Financial Implications and Risk Considerations:	<p>There are a range of options for businesses to obtain financial support from the government which are fully funded. Any additional support is not funded and will need to be met by the council and contained within the existing financial strategy including reserves. The council is experiencing loss of income and increased demand elsewhere across the budget and therefore any decisions need to be considered in this context.</p> <p>The government has indicated that additional funding is likely to come forward however this has not yet been confirmed and therefore this remains a risk for the council.</p> <p>Not issuing reminders in April is likely to have cash flow implications as it may result in less income in the short term. These debts will be pursued in the future and therefore the income is not ‘lost’ to the council. A further report on a more targeted approach will be presented before the end of April for consideration.</p>
Equality/Diversity implications:	No
Considered by Monitoring Officer:	Yes As this report involves mainly financial

	considerations, all decisions must be made in accordance with the relevant Constitutional process and within the Budget and Policy Framework. Legal advice must be obtained regarding changes to contractual arrangements including leases and licences.
Wards Affected:	ALL
Scrutiny Interest:	Overview and Scrutiny Committee

TRACKING/PROCESS

DIRECTOR:

Joint Executive Team/CCMT	Cabinet Member/Chair Briefed	Ward Members (if necessary)	Partners
x	x		
Scrutiny Committee	Other Committee	Council	Comms

1.0 BACKGROUND

- 1.1 It is clear that the Coronavirus outbreak will have serious implications of a short and long-term nature for businesses within Bury.
- 1.2 In recognition of the economic impact, the Government has rushed through a series of announcements designed to stabilise the situation, with a package of support including: agreement to pay the wages of staff who would otherwise have been made redundant, access to loans, additional business rates reliefs to the retail, leisure and hospitality sector and one-off grants to smaller businesses.
- 1.3 The current crisis is of such a magnitude it will require actions from central, regional and local Government. It is essential these actions are properly co-ordinated and that a very real risk of confusing the business community is avoided. For local authorities, there is a key role in administering the new business rate reliefs and for making the grants to small businesses.
- 1.4 This paper updates Cabinet on the current position and provides information on some other local issues across the borough. It also identifies the potential actions that can be triggered locally by the Council to provide critical support to the business community that is over and above the national support that is available. In doing so, consideration of exiting reliefs available need to be taken into consideration.

2.0 National Response to Impact on Business

Central Government Response

- 2.1 The packages of measures to support businesses announced include:
- A statutory sick pay relief package to SMEs
 - A 12 month business rates holiday for all retail, hospitality and leisure businesses in England. This has subsequently been extended to include estate agents, bingo halls and letting agents following the additional measures imposed by the government earlier this week.
 - Small business grant funding of support for businesses in receipt of small business rate relief or rural rate relief. Grant of £10,000 for these businesses who previously received business rates relief
 - Grant funding of £25,000 for retail, hospitality and leisure businesses with property with a rateable value between £15,000 and £51,000
 - Subject to state aid rules and approval from the EU, that larger retail, hospitality and leisure premises and national chains will be exempt from business rates in 2020/21;
 - a business rates holiday for private childcare providers in 2020/21.
 - The coronavirus business interruption loan scheme to support long-term viable businesses who may need to respond to cash flow pressures by seeking additional finance
 - The HMRC time to pay scheme
 - £500m hardship scheme
 - Debt relief facilities for larger companies via the Treasury

Progress To Date

2.2 Business Rates Reliefs

The guidance for business rates reliefs has been finalised, although updates are being made in light of any new government announcements. The council's business rates system has been updated to reflect the new guidance and new bills are being re-issued from 25 March 2020. This is in line with government expectations. All businesses affected should receive a revised bill by 27 March and direct debits will not be claimed from those businesses that no longer have to pay. It is estimated that c400 businesses will benefit from the new reliefs across the borough.

2.3 Grants to Small Businesses

The guidance has been received although is still subject to some refinements in light of ongoing conversations with local authorities and other bodies. All businesses within Bury that are eligible for the grants have been identified and it is estimated that c370 business will be eligible for a grant of £25,000 and c2,800 businesses eligible for a grant of £10,000. The total cost of this is estimated to be c£37m, funding for which is expected on 1 April 2020.

- 2.4 Processes for the payment of the grants have been developed and appropriate controls and governance arrangements are in place. Businesses are also being asked to submit their bank details so that payments can start to go out from 1 April when the funding is received. Given the scale of the value of the payments, the option to issue payments in advance of the funding is not recommended given the significant cash flow implications. The council's response is in line with government expectations. In the event that businesses do not respond to the request for bank details, supplementary arrangements will be put in place to contact these business owners.

Hardship Fund

- 2.5 The government announced a £500m hardship fund of which the council will receive c£1.9m. Guidance has been received and support is targeted to those households who are currently eligible for the council tax support scheme. Arrangements are in place for a credit of £150 to be applied to these council tax bills. In light of the economic downturn we are anticipating an increase in applications for council tax support scheme and there should be sufficient funding available to cover this. The position will be closely monitored and any 'surplus' funding reported to Cabinet. As it stands we are not anticipating significant sums of money being available to support any other initiatives.

Self Employed

- 2.6 The remaining category of business activity which has yet to be covered is the 'self-employed'. The Government has been widely lobbied to address this group, however, the complexity and challenge of establishing a fair programme has probably caused some delays on this front. We will also monitor the reliefs that can be utilised by the charity and voluntary sectors which require some clarity.

Regional Response

- 2.7 The Greater Manchester authorities have been working collectively on the issue of business support and resilience. Most Local Authorities have taken the view that they will not seek to introduce their own programmes, some saying that they will wait and see if there are any obvious 'gaps' in the national programmes, others taking the view that energies are best focussed upon ensuring wide take-up of national programmes within their Borough.
- 2.8 There has been a debate within the GM group about a simultaneous launch of the two programmes for which Local Government is responsible for administering. This would bring some benefits in terms of scale and press coverage.
- 2.9 There is a regular tele-conference scheduled for the GM partners. There is a particular concern to feed into Government intelligence around key strategic employers and to provide early warning of potential problems.

Bury Council

- 2.10 The Council has created a team to help respond to crisis within the BGI directorate.
- 2.11 The team will play the role of acting as a bridge between national, regional and local co-ordination of response to the emergency. We will utilise our existing contacts with businesses and our communications channels to provide up to date information to businesses. In the case of the small grants programmes our Finance team will directly administer them.
- 2.12 We are currently working on intervention options to support targeted parts of the Bury business community. There are key businesses in the Borough who if they were to fold the Borough would lose their productive capacity and employment for good. This would have serious implications for the health of the Boroughs economic base and our capacity for recovery. This will be a focus for our next phase of work beyond the initial financial reliefs identified in this paper.
- 2.13 We will utilise the modelling done by Cambridge Economics earlier this year on the resilience of the Bury economy as the basis of a post-Covid 19 economic

recovery plan for the Bury business sector. It is likely that many companies will find their balance sheets badly impaired by the impact of a shutdown, therefore, the level of private capital available to invest might be curtailed for a period after the virus has been removed. This will put the pressure on key public sector actors to help drive, create and stimulate investment opportunities going forwards.

- 2.14 It will also be important to develop a recovery plan for once economic life returns to some kind of normality. The medium-term impacts of this shutdown will take a while to crystallise, however, it is possible that trends already present, such as the move to online from physical retail will fasten further pressuring retail and service centres. The importance of driving forwards our major regeneration proposals for central Bury, Radcliffe and Prestwich will be a critical element of a recovery.

3.0 Potential Intervention Options

- 3.1 In considering any options there needs to be a balance between ensuring those businesses and individuals that can pay continue to do so and that those who are suffering some form of hardship are supported. Government funding of c£5.4m has been received from a national allocation of £1.6bn but this is predominantly focussed on the anticipated increase in social care demand and costs. In addition to these costs the council is also seeing a downturn in the income it collects and demand in other services. The government has indicated that more funding will be provided however there are no details yet and therefore any decisions will fall to the council to manage within its overall financial position.
- 3.2 There are a number of intervention options that have been given consideration. This paper represents an initial response to the crisis as it unfolds, it may be that further interventions are identified and local initiatives which dovetail with national and regional responses can be enacted at a later point.

Council Tax Payment Holiday

- 3.3 There is an option to offer a payment holiday for council tax payers (potentially for 2 to 3 months) has been explored. This would help keep money in the pockets of Bury residents although the amount of local economic benefit would be limited with so many local businesses and services under enforced closure.
- 3.4 The financial implications of this approach are significant. Council tax is a major source of income (£89.020m for 2020/21) and even with the current crisis there will be many residents that will not have their income affected. A universal payment holiday option is therefore not recommended as this would have significant impact on the council's cash flow and could result in a much lower collection rate. Currently there are options for residents to pay over an extended 12 month period thereby reducing their monthly payments. Delaying the first direct debit collection date is also an option for those who are experiencing financial problems. It is recommended that those in hardship are signposted to existing support relief measures for council tax. In doing so, eligibility for the council tax support scheme can be considered and offered where appropriated. The council is likely to see a substantial increase in the number of claimants for council tax support scheme and resources are being reallocated to support this area of the business. Options for accessing council tax support more quickly are being developed for consideration by Cabinet.

Commercial Properties Temporary Rent Waiver

- 3.5 The Council can ease the pressure on local businesses in circumstances where we are their landlord.
- 3.6 The council has commercial portfolio of property within the Borough. This comprises retail units, industrial buildings and business centres. These are occupied by a wide range of small to medium sized businesses based in the Borough who are a key source of local employment. It is critical we don't lose companies for good because of a short-term cessation of economic activity. The commercial portfolio generates an annual income of £2.87m which is equivalent to £240k per month.
- 3.7 There is an opportunity to consider additional support through a rent holiday of up to 2 months in the first instance. It is recognised that not all of the businesses will be in need of this and therefore it is proposed that any business wishing to take up the offer would need to demonstrate that they have a need. Some of these businesses may also be recipients of the business rates relief and one-off grants. The cost of any rent holiday would need to be met by the council in the first instance.
- 3.8 In order to target benefits and assess need it is proposed to exclude rent relief to companies defined by the EU as being 'large entities'. It is proposed that companies wanting rent relief fill in a simple application form to assess whether they have been 'critically' impacted or 'significantly' impacted. Those critically impacted will be offered 100% relief and those significantly impacted 50% relief. It is proposed to exclude all those with an annual rent of below £6,000, and to allow an automatic 100% relief.
- 3.9 The council also owns a portfolio of income generating freehold properties. This includes retail centres such as the Millgate and the Longfield Centre in Prestwich. There is no rationale to provide relief against this portfolio.
- 3.10 The Council also has an investment portfolio which includes an office block in Huddersfield occupied by Capita, the Q Park multi-storey in Bury, an unoccupied retail unit in Lytham and investment properties in the Northern Quarter in Manchester. We have outstanding borrowing against this portfolio and as a rent relief would not benefit our local economy there is no basis to support it.

Bury Market Rent Waiver

- 3.11 Bury Market traders pay a rent to the council equivalent to £2.63m a year (£220k per month). The economic down turn has impacted on traders in the market and options for a rent holiday have been requested.
- 3.12 The length of the national shutdown is unknown at this stage, however, it might be prudent to agree to a two-month initial waiver of rents, with an option to extend the waiver in the event we face a prolonged shutdown. If the restrictions on movement are relaxed in the next few weeks there would be no case to extend the waiver beyond the first two months. If the restrictions are lifted with the two month period this should help give Traders some financial headroom to restock.
- 3.13 The Council should not rule-out the option of providing further support to Traders. However, many could be eligible for national intervention

programmes. It is recommended as a first step we waive rents for the next two months for all traders, commencing on 16th March 2020.

Suspend Debt Chasing

- 3.14 Reminders for a range of outstanding debt across the council are sent out on a monthly basis. It is proposed that a hold be placed on sending out reminders in April to remove some additional pressure on businesses on individuals. The added benefit is that staff who are currently employed within the revenue and benefits service and who collect debt can be targeted to other work within the service which is experiencing a significant increase in demand. It is proposed that a review of the position be undertaken before the end of April so a more targeted approach can be considered from May onwards.

Immediate payment terms for SMEs

- 3.15 Payment terms for SMEs are 10 days. In line with government advice a move to more immediate terms is proposed. The proposals would only apply to SMEs although there is a route for suppliers outside of this category to raise payment and cash flow issues. The impact on the council is purely in terms of cash flow which is being monitored extensively during this period.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The financial implications of the options are set out in the report. New reliefs for business rates, hardship fund and grants to small businesses are fully funded and will be met from new funding from the government. Any additional support to Bury Market and to businesses in the council's commercial properties are not funded and would therefore fall to the council to fund.
- 4.2 The government has made available £1.6bn to councils to support an increase in costs. Bury's share is £5.4m. It is expected that increased demand in social care will be a significant call on this funding and that it is unlikely to be sufficient to cover the total financial costs that the council is and will continue to experience.
- 4.3 The overall financial impact of any options cannot be fully determined and is dependent upon the length of time businesses are unable to operate though for illustrative purposes, a 2 month rent freeze on all commercial properties and provided to all tenants. The market would create a maximum financial pressure of £0.920m. This assumes a worst case scenario and that full relief is In taking decisions, Cabinet also need to consider whether any precedents are being set that other businesses across the borough could look for parity. If this is the case the financial impact could be significantly higher.
- 4.4 The council needs to maintain a balance of ensuring those that can pay should continue to do so and that any support is offered to those that need it. Overall the council is facing a significant financial challenge as a result of the COVID-19 crisis and initial support from the government is not enough to cover the overall financial risk. Further funding and support has been promised but as yet has not been announced and therefore there remains a significant financial risk to the council

5 RECOMMENDATIONS

Cabinet is asked to:

- Note the national support announced by the government to support business affected by the COVID-19 crisis;
- Note the progress the council has made in administering the reliefs and grants announced by the government and which the council is responsible for administering;
- Note the current routes available to individuals experiencing financial problems that is affecting their ability to pay council tax;
- Note the position on the hardship fund and that the majority of this funding will be utilised to support households already eligible for the council tax support scheme and new claimants;
- Approve the option to provide a 2 month rent holiday to business in the council's commercial properties who are able to evidence financial hardship at a maximum cost £480k;
- Approve the option of providing a 2 month rent holiday to traders in Bury market at a cost of £440k;
- Note that any decisions made in offering rent reliefs are not funded by the government and will need to be met by the council;
- Agree that reminders for debt should not be issued in April and that a review will be carried out before the end of April to inform future arrangements;

6.0 CONCLUSION

- 6.1 This is an unprecedented situation and the Council has a critical role to play in seeking to minimise the damage to our business base and the employment opportunities for our residents.

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