



**Author/Lead Officer of Report: Richard Eyre,
Interim Director of Operational Services**

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Report of: Executive Director of Place
Report to: Cabinet Member for Culture, Parks and Leisure
Date of Decision: 25th March 2021
Subject: **Loan to Sheffield Business Improvement District**

Is this a Key Decision? If Yes, reason Key Decision:-	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
- Expenditure and/or savings over £500,000	<input type="checkbox"/>	
- Affects 2 or more Wards	<input type="checkbox"/>	
Which Cabinet Member Portfolio does this relate to? Culture, Parks and Leisure		
Which Scrutiny and Policy Development Committee does this relate to? Economic and Environmental Wellbeing Scrutiny and Policy Development Committee		
Has an Equality Impact Assessment (EIA) been undertaken?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
If YES, what EIA reference number has it been given?		
Does the report contain confidential or exempt information?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-		

Purpose of Report:

Sheffield BID – Financing for Term 2

To enable a decision to be taken following a request from the BID Board for a financial support package to enable the BID to be able to continue to operate from March until August at which point a new levy will be collected.

Recommendations:

It is recommended that the Cabinet Member for Culture, Parks and Leisure:

- Agrees for the Council to pay a £70,000 loan to the Sheffield Business Improvement District following a successful 'Yes' vote.
- Agrees for the Council to enter into a loan agreement as further outlined in this report with the Sheffield Business Improvement District which will allow an annual repayment plan over the five year term at '0' percent interest rate.
- To the extent not already delegated to them by the Leader's Scheme of Delegation, delegates authority to the Executive Director of Place, in consultation with the Director of Legal Services and the Director of Finance and Commercial Services, to take any other decisions necessary in order to meet the aims and objectives of the report.

Background Papers:

None.

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Paul Schofield
		Legal: Gemma Day
		Equalities: Annemarie Johnson
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>		
2	EMT member who approved submission:	Michael Crofts
3	Cabinet Member consulted:	Mary Lea
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: Richard Eyre	Job Title: Interim Director of Operational Services
	Date: 23rd March 2021	

1. PROPOSAL

- 1.1 The Sheffield Business Improvement District (BID) is currently in year 6 of its term and has recently been voted in for another 5 years. The new 5-year term will start on 1st April 2021.
- 1.2 The BID has committed as part of its prospectus to reduce its levy from 1% to 0.5% and to move the levy pay date from 1st April to 1st August to help businesses during the pandemic. To implement this pledge, it would leave the BID at high risk of being insolvent unless it either stops the majority of its services or it receives financial support.
- 1.3 Sheffield City Centre BID Limited is the not for profit organisation that is the accountable body for delivery of the Sheffield BID. It covers the area surrounded by the old inner ring road and has been in existence since 2015. The BID must carry out specified projects for the benefit of the BID area, or those who live, work and carry on any activity within it. However, its primary focus is businesses in its area, specifically those who contribute by paying the levy. Its services cannot replace those of the public sector however it must add tangible value to the businesses it serves which can include enhancing what the public sector already does.
- 1.4 The BID plays a strategic role in the city centre by adding value and enhancing the offer to improve the business environment. The BID concept is one that most city centres need and if delivered effectively will continue to enhance the city centre.
- 1.5 The person or organisation liable to pay the business rates at any property is liable to pay the BID levy if the property has a rateable value of £40,000 or more. Where a property is occupied this will be the occupier. For empty hereditaments this will normally be the leaseholder or the property owner. The current levy is set at 1% of RV.
- 1.6 The BID should have gone to a renewal ballot in March 2020 following the end of its 5-year term however this was overtaken by the Covid crisis and Government mandated that all BID's would be extended for another year. Whilst the BID arrangement remains in place, the Council are required to ensure statutory requirements are met.
- 1.7 Whilst the Council is both the Ballot Holder and the Billing Authority, it is not obligated to safeguard the BID; that is the choice of BID levy payers.
- 1.8 However, the BID is a partnership between the Council and the local business community, so they are asking for input and thoughts from the Council about next steps.
- 1.9 The new operating year will be from the 1st April 2021. Currently the operating year runs from the 1st August.

2.0 **Proposals for BID2 and request of SCC**

2.1 A variation to the levy % in term 2

Due to the unprecedented commercial environment the BID want to reduce the levy in Y1 to help businesses and increase the chances of a 'yes' vote

- Board wants to reduce levy in first year of second term. From 1% to 0.5%.
- Levy will increase to 1% at the start of year 2 with no further variation.

2.2 A new operating year will start on 1 April (it is currently 1 August). This means that businesses were billed on 1st August 2020 and currently within 9 months will be billed again (for Y1 of the new 5-year term)

2.3 The proposal is to delay billing in year 1 until 1 August 2021 but to start billing for year 2 on 1 April 2022 when it is hoped the economy has started to improve. This mitigates the issue of two bills during the Covid Pandemic in nine months but then creates a cash flow issue for the BID to deliver its services.

- To both offset the reduction in income and to bridge the funding gap until the next bills, we have agreed to keep the collection processes for year 6 of this term open.
- The BID have drawn down 60% of the year 6 income. The current collection rate is 72.8%. To help implement their plans on moving the collection date and reducing the Y1 levy they initially requested to draw down the additional 40% (£217,000) of the net collectable debt in February as per the operating agreement.

2.4 However, the agreement states that we only transfer what has actually been collected. At the moment £147,434 is still outstanding to be collected so we have already agreed to transfer the difference as per the agreement (£69,566) but not the full net collectable debt.

2.5 If the ballot had not been successful, any remaining funds collected would have been returned to the BID revenue account when the BID was wound up. Estimated costs to wind up are 32k however they have confirmed they have cash assets to cover this.

2.6 The BID have reviewed their full financial position including reserves and have now stated that they could actually provide a full service with an additional loan of £70,000.

2.7 If the Council is prepared to pay a £70,000 loan to BID then it was agreed that this would only be payable upon a successful 'Yes' vote after the 28th February 2021 which has now been achieved.

2.8 The loan would need to be repaid by equal instalments at 0% interest on the 1st April for the next five years

3. HOW DOES THIS DECISION CONTRIBUTE ?

- 3.1 The BID plays a strategic role in the city centre by adding value and enhancing the offer to improve the business environment. There have been challenges over its first term however the BID concept is one that most city centres need and if delivered effectively will enhance the city centre.
- 3.2 The BID plays a key role in creating and sustaining a vibrant economy and a welcoming environment in the city centre

4. HAS THERE BEEN ANY CONSULTATION?

- 4.1 Formal approval has been agreed by Covid Response Group.
- 4.2 The proposal has been developed fully with the BID Manager and Chair who represent 506 businesses.

5. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

5.1 Equality of Opportunity Implications

- 5.1.1 Overall, there are no significant differential, positive or negative, impacts from this proposal. It should have a positive impact on the business environment and therefore the city centre, through continued support from the BID whilst allowing recovery from the pandemic.

5.2 Financial and Commercial Implications

- 5.2.1 SCC's current liability is to transfer only the amount that is set out in the agreement which is to repay the remaining collected balance on the 1st February. At the moment this is £69,566.
- 5.2.2 The BID Board have requested the help of the City Council due to the Covid Pandemic affecting collection rates, levy payer confidence and being forced to run a 6th year of the BID. This would be a loan of £70,000 to be repaid by equal instalments on 1st April every year at 0% interest. The loan is being made at a discounted rate in order to maximise the funds available to the BID and support its efforts to rejuvenate the city economy after the effect of the pandemic. This will be classified as a "soft loan" and disclosed in the annual accounts.

5.3 Legal Implications

- 5.3.1 The Localism Act 2011 provides local authorities with a "general power of competence" which enables them to do anything that an individual can do as long as the proposed action is not specifically prohibited. This enables the Council to provide the loan to the BID.

5.3.2 If approval is given to provide a loan to the BID, then a formal loan agreement will be entered in to between the Council and the BID for the full period of the loan.

5.3.3 Although the loan agreement still needs to be finalised the loan agreement will cover as a minimum:

- The amount of the loan and the interest rate (0%).
- How the loan will be paid to the BID.
- The repayment terms and term (equal instalments on 1st April every year).
- Default.
- The purpose for which the loan is to be used.
- Record keeping and monitoring requirements.
- Liability and indemnity.

5.3.4 The conditions of the loan and the repayment provisions will need to protect interests of the Council.

5.3.5 The loan is not considered to be a subsidy under Subsidy Control.

5.4 Other Implications

5.4.1 None.

6. ALTERNATIVE OPTIONS CONSIDERED

6.1 Do Nothing

This would mean the BID has to stop all core services until August due to cash flow

7. REASONS FOR RECOMMENDATIONS

7.1 The BID plays a strategic role in the city centre by adding value and enhancing the offer to improve the business environment. There have been challenges over its first term however the BID concept is one that most city centres need and if delivered effectively will continue to enhance the city centre.

7.2 The BID represents over 500 businesses and generates over £800k per annum which is directly invested into enhancing the city centre.

7.3 Through this loan the City Council will be ensuring the BID continues to operate effectively from March to August whilst allowing levy payers the maximum opportunity to recover from the pandemic.