



REPORT TO: Policy & Resources Committee

DATE: 4th December

REPORTING OFFICER: Head of Economy and Housing, Julian Rudd

SUBJECT: Support for local businesses

WARDS AFFECTED: All

1.0 PURPOSE OF REPORT

1.1 To inform Members about, and seek support for a range of possible measures to assist the local economy.

2.0 RECOMMENDATIONS

- a. To increase procurement from Ryedale businesses, wherever possible, via the approaches detailed within this report;
- b. Verify and process all invoices for payment from Ryedale-based suppliers within 10 days of receipt;
- c. Investigate further the use of Business Rates – Hardship Relief, under Section 49 of the Local Government Finance Act 1988;
- d. Consider the introduction of a Business Grant Scheme as outlined in Annex B.

3.0 REASONS SUPPORTING DECISION

3.1 To respond to the current challenging economic climate and introduce measures to help the local economy and businesses.

4.0 INTRODUCTION

4.1 In light of the current economic climate it is important that the Council takes every reasonable opportunity to reduce pressure on local businesses.

4.2 In Ryedale we have already seen one well-known family business close and there are widespread reports of slow business trading and financial pressure. There have been fluctuations in the tourism bookings with a drop of 9% in August but an increase of 20% in the period from October to November compared to last year. Interestingly the Tourist Information Centres have taken more bookings across the entire region as people choose to holiday closer to home. Further data is not yet available to gauge overall activity in the tourism sector. The

York and North Yorkshire Partnership Unit is currently producing a review of how the current climate is affecting the whole economy of North Yorkshire and this will be circulated to all Members when completed.

- 4.3 There is little liquidity in the market to stimulate growth and although some banks are still 'open' for lending to small businesses, in reality it is difficult to access finance. The drop in interest rates has not yet had time to have any real effect, and not all Banks and Building Societies are passing on the benefits to the public. However the Government and others are actively progressing measures to help small businesses and economic activity, and Yorkshire Forward and Business Link are currently looking at ways they can assist within this region (an overview of the Yorkshire Forward approach is set out in Annex C). In this type of economic climate it is usual to see a surge in start-ups although the survival rate is likely to be questionable with an anticipated one in three surviving over three years. Against this background this report considers means by which the Council can assist local businesses.

5.0 POLICY CONTEXT

- 5.1 The Council has a corporate aim to 'To have opportunity and choice of housing and employment for all', with an objective to "To increase annually the number and range of employment opportunities available in Ryedale'.
- 5.2 Imagine Ryedale aims include 'helping to deliver funding support and advice for developing employment opportunities, involvement in small business services and as a general theme to develop a strong economic infrastructure in Ryedale'.

6.0 REPORT

Payment of local suppliers

- 6.1 A policy can be introduced of fast-tracking payment to Ryedale based suppliers within 10 days of receipt of invoice. All areas in the Council will need to participate in this policy to ensure that local suppliers are be given priority and highlighted to ensure for prompt payment.

Local Procurement

- 6.2 In line with public procurement rules laid down by Central Government the Council operates an open and fair tender process in accordance with the Contract Standing Orders, which are contained in the Council's Constitution. The procurement rules also take account of European Tendering Rules. However the Council can encourage more use of select lists under Contract Standing Order 6 whereby an advert would be put in local papers to ask for companies that may wish to undertake work and this may encourage increased contact with local firms (who would still need to comply with a number regulations and selection criteria (such as IIP) to be on the list.
- 6.3 A relevant extract from the Council's Procurement Policy is set out in Annex B. Within this policy the following additional measures can be pursued:
- At a lower level i.e. currently below orders of £2,500 the Council should apply a policy that wherever possible local suppliers are used, subject to reasonable value and levels of service. This must be demonstrated in the reasons for selecting the chosen company and the procurement process must reflect the public procurement regime and be non-discriminatory.
 - The Council can promote, via the website and other publicity, how companies can procure with the Council, including Social Enterprise organisations, to encourage more local suppliers to work with the Council.

Business Rates

- 6.4 Full details about the issues relating to any potential introduction of hardship relief are set out in Annex B of this report. In brief:
- A billing authority may remit the whole or any amount due under S43 or S45 of the Local Government Finance Act 1988.
 - The NDR Pool will bear 75% of any hardship write off, 25% has to be borne by Council Tax Payers.
 - A Billing Authority may not grant hardship relief unless satisfied that;
 - The ratepayer would sustain hardship if it did not do so.
 - Audited accounts are provided substantiating their claim for relief.
 - It would be reasonable to do so having regard to the interests of persons subject to Council Tax.
- 6.5 Given the complexities around this issue and the financial implications it is not recommended that a decision to proceed with such an approach be taken at this stage. However an indication is required of whether Members wish further investigations to be undertaken of the implications and details of a local approach.

- 6.6 In the pre budget report announcement further assistance has been granted in respect of exemption from empty property rates and small business rate relief with effect from April 2009.

Business Grants

- 6.6 The Council can consider providing financial assistance to start up and established businesses in Ryedale in the form of a grant, although no budget source is currently identified for this purpose. A potential business grant scheme is detailed in Annex B. Whilst not run by Business Link, they would act as an independent body in helping the client to complete the forms correctly. They would also be able to assess the genuine needs of the business applying for grant assistance.

Other Initiatives

- 6.7 It is proposed that the Council develops additional information and support targeted at business regarding energy costs, working alongside partner organisations. It is also proposed that further promotion take place of the local Credit Union and the potential assistance available to local people.

7.0 FINANCIAL IMPLICATIONS

- 7.1 Costs of providing the finance for a business grant scheme include internal resources to manage the schemes although these are expected to be available. The funding to be used for the grants is, however, not included in the current Council budget. Similarly there is no identified funding for any business rate relief (if relief were granted, 25% would come from the Ryedale Council taxpayers, whilst the National Business Rates Pool would meet the balance).

8.0 LEGAL IMPLICATIONS

- 8.1 Terms of procurement must comply with Central Government procurement policies. It is recommended that advice be taken from external auditors upon the impact of any decision to pursue hardship relief before an approach is finalised.

9.0 RISK ASSESSMENT

- 9.1 There is clearly a risk in not acting to support local businesses in terms of unemployment, economic activity and the general well-being of Ryedale. However, there is also risk attached to potential measures to support local businesses, not least being a hardship relief approach to business rates. For this reason further investigation is required.
- 9.2 If a decision is made to investigate granting of hardship relief with a view to introducing such a scheme the following factors will need to be considered:

- Will the granting of relief ensure that the business continues to trade, and jobs are not lost, or are there other factors that could affect this.
- Is the business providing an exclusive service to the locality, or are other premises providing a similar function.
- Do other businesses rely on it for their trade.
- Will the granting of relief give the Company an unfair trading advantage over its competitors.
- Would it give an open invitation to any business in the local vicinity to apply.

10.0 CONCLUSION

10.1 Given the current economic climate and potential difficulties local businesses may face, the recommendations outlined within this report are appropriate and link with the activities of Yorkshire Forward.

OFFICER CONTACT:

Please contact *Julian Rudd* if you require any further information on the contents of this report. The officer can be contacted at *Ryedale House, 01653 600666, e-mail.Julian.Rudd@ryedale.gov.uk*

CORPORATE POLICY APPRAISAL FORM *(One for each Option)***Annex A**

Policy Context	Impact Assessment	Impact +ve -ve Neutral
Community Plan Themes <i>(Identify any/all that apply)</i>	N/A	
Corporate Objectives/Priorities <i>(Identify any/all that apply)</i>	To have opportunity and choice of housing and employment for all	+
Service Priorities	Add to the vitality and economic well being of Ryedale.	
Financial	Refer to 8.0	+
Legal Implications	Refer to 9.0	+
Procurement Policies	7.1/9.0	
Asset Management Policies		+
LA21 & Environment Charter & Sustainability	Local communities to use local services	+
Community Safety	N/A	
Equalities	N/A	
E-Government	N/A	
Risk Assessment	Refer to 10.0	+
Estimated Timescale for achievement		

Annex B – Further Details of Potential Support Measures

1. Draft Ryedale Business Grants Scheme

PROPOSAL

Ryedale District Council to award grants in Ryedale in partnership with Business Link Yorkshire, to assist Start Up and Established businesses. Both grants to be available for either capital or revenue use, with each grant application being reviewed on its own merits. This would operate on a first come first served basis, and it would be clear on the application form that there is a cap on the funding available. A maximum of £1000 per business for Start Up's and up to £2500 per business for established businesses.

Business Link would not make any management charges to work on the grant schemes. They will assist the applicant in collating the business information required and will send the form to RDC for approval. As part of the grant conditions the advisor would maintain contact with the clients and undertake the three-month mentoring visit and further relevant business support if required.

The panel at RDC to approve the grants would consist of an Officer and Unit Manager so turnaround can be given within a month; a short timescale is especially important with grant schemes and due to the current economic climate. (Advocate the back up of another Officer and Manager to cover for holidays etc, again, to not cause a delay in the process).

The cost of any grant would include VAT which is non recoverable.

At the time of writing this, the Government is considering how it could help small businesses. It would be prudent to check with Business Link if the Council decide to go ahead with these schemes to make sure we do not duplicate any grant schemes that Business Link may offer. It is likely that there will be some sort of assistance available for start -ups within the next 6 months from Business Link, however this situation will be monitored.

The grant application form could be made available on line and on request from Economic Development. The Legal Department could check over the final application forms before use to ensure the terms and conditions meet with their approval.

2. Procurement

Annex A of the District Council's Procurement Policy and Strategy states:

“TRANSPORTATION

We will:

- Ryedale District Council will minimise the detrimental effects of pollution and negative environmental impact as a result of the transportation demands of the council.

- Within the limitations of storage facilities, stock value and products shelf life; encourage suppliers to make co-ordinated deliveries to reduce the number of trips.
- Recognise the important role Local suppliers / contractors play in minimising transportation demands and boosting the local economy, especially where a product or service is readily available. The Council will therefore ensure local / regional suppliers are provided with equal opportunity to bid for business with the Authority.
- Take fuel type and fuel efficiency into account in all procurement. Where more polluting fuel types are chosen, this requires significant justification on operational or economic grounds. Where the most fuel-efficient vehicle is not chosen, this must be justified either on operational grounds, or on capital savings exceeding projected five-year fuel cost savings.
- Review this policy regularly to account for technological change and new information.

PURCHASE OF FOOD / FOOD RELATED ITEMS.

We will:

- Ensure that wherever possible, food or drink procurement within the Council conforms to the following hierarchy: 1. Local. 2. Regional / British. 3. Ethical / Fair trade.
- Reduce “food miles” by minimising transportation of perishable merchandise (both food and drink) through purchasing of local produce.
- Purchase products which are supported by approved farm initiatives e.g. symbols like Red Tractor / FABBL Farm Assurance Scheme).

3. Business Rates Hardship Relief

Guidance on Hardship Relief

A billing authority can reduce or remit the payment of rates where it is satisfied that the ratepayer would sustain hardship if it did not do so and it is reasonable for it to do so having regard to the interests of its council tax payers.

Whilst it is for each billing authority to decide on the facts of each case whether to exercise its powers under section 49 – and to judge the extent of those powers – authorities may wish to bear the following guidance in mind:

1. Although authorities may adopt rules for the consideration of hardship cases, they should not adopt a blanket policy either to give or not to give relief: each case should be considered on its own merits and the application process kept as simple and streamlined as possible to enable decisions to be made quickly;
2. Reduction or remission of rates on grounds of hardship should be the exception rather than the rule;

3. The test of 'hardship' need not be confined strictly to financial hardship: all relevant factors affecting the ability of a business to meet its liability for rates should be taken into account;
4. 75% of the cost of any reduction or remittance of rates can be offset against an authority's payment into the national non-domestic rate pool: 25% must be borne locally and met from the authority's General Fund;
5. The 'interests' of council taxpayers in an area may go wider than direct financial interests. For example, where the employment prospects in the area would be worsened by a company going out of business, or the amenities of an area might be reduced by, for instance, the only provider of a service in the area;
6. Where the granting of relief would have an adverse effect on the financial interests of tax payers, the case for a reduction or remission of rates payable may still on balance outweigh the cost to tax payers;
7. Hardship rate relief constitutes state aid which may need to be notified to the European Commission
8. The hardship caused to a ratepayer may be self-evident, for example where a business has been affected by severe loss of trade, due to external factors such as natural disasters.
9. However, authorities may wish to consider how the business can demonstrate such loss of trade or business. For example, do accounts, order books, till receipts or VAT returns show a marked decline in trade compared to corresponding periods in previous years?
10. Authorities should be clear in awarding relief that it will be granted only for the period for which there is clear evidence of hardship for the ratepayer concerned; and
11. To guard against fraudulent claims, authorities should satisfy themselves that the claim is from a ratepayer suffering genuine hardship.

ANNEX C

YORKSHIRE FORWARD ACTIVITIES IN RESPONSE TO THE ECONOMIC DOWNTURN

YF needs to strike a balance between long term (RES) actions and reacting to short term issues. Also needs to talk up the region for investor confidence whilst taking a credible line with business on economic realities.

YF initiatives fall into 3 areas – national, regional and business-specific.

National

- All RDAs have signed up to pay SME contractors within 10 days, in line with Government, to help maintain SME cash flows.
- RDAs have committed to continue sourcing at least 10% of supplies from SMEs
- Businesses are able to contact Business Link to take advantage of a 'health check' to help manage current economic conditions
- Planned Transition Loan Fund (£40m – up to £5m per region) for SMEs, with YF putting in place up to £5m through a regional fund manager.
- The Government's new National Economic Council is supported by a Regional Economic Council, chaired by Chancellor and BERR SoState, involving RDA Chairs, Local Authority Leaders and Business Organisations to discuss regional issues and concerns.
- A Small Business Finance Forum – comprising BERR SoState, Banks, RDAs, Business Organisations – to monitor SME lending from banks.

Regional

General principle is to use existing instruments where possible to help businesses weather the storm and to provide a strong platform for future growth. Aim to drive additional traffic through publicity & PR – YF campaign launched on 10 November promoting access to new and existing support via Business Link.

- Grant for Business Investment scheme extended to whole region (up to 15% intervention for capital projects). Reviewing terms of existing offers for job creation / retention to provide greater flexibility.
- £6.9 million funding for the Targeted Export Support Scheme for businesses to start or expand their international trade activities (60% of costs) in the face of challenging economic conditions.
- R&D grants totalling over £43 million available to businesses of all sizes across region to help them develop innovative new products over the next six years.

- YF has approved an investment of £9.7m in an interim fund to provide support to the South Yorkshire Investment Fund and Partnership Investment Fund and also for the development of a new single regional Venture Capital and Loan Fund.
- A £7m enhancement to the Manufacturing Advisory Service will enable a more comprehensive service to regional manufacturers, including mentoring and measures to help reduce raw material and energy costs.
- An investment of almost £10 million will help regional businesses to improve competitiveness by adopting more efficient use of resources over the next three years. The project will develop the demand for and support resource efficiency improvements, new environmental technologies and services.
- A Train to Gain enhancement fund of £60m providing :
 - Up to 60% assistance towards cost of any training for SME employers (non-accredited, bespoke incl leadership and senior management training– but not statutory courses such as Health & Safety)
 - 100% for NVQ 2 or 3 through LSC accredited providers
 - 100% for any training in cases of notified redundancy – not necessarily job-related training
 - Job retention subsidy of £1k per person up to £500k if a new investor takes on otherwise redundant employees.
- YF working with Local Authorities, English Partnerships and private developers to identify priority development schemes to aid economic regeneration.

Also considering increasing some intervention rates & extending core funding for some activities.

Business Specific

- Regional Minister, Rosie Winterton, and Yorkshire Forward have made a formal pitch to the Chair of Lloyds TSB, setting out the region's strengths in the Financial and Professional Services as part of the drive to keep HBOS jobs in Yorkshire.
- Bradford & Bingley – a YF-led task force is advising Government on the potential economic impact of restructuring plans within the region.
- YF's Key Account Management team is working with the region's top 600 employers on their upcoming investment portfolios, skills requirement and other ongoing business support needs. Looking to increase KAM resource.
- An Economic Response Unit to manage and co-ordinate YF's response to the business impact of the current economic downturn drawing on existing resources across YF to help businesses requiring short term support.
- Employment Support Group with YF, LSC and JobCentre Plus working together with local companies to help people back into work quickly following large scale redundancies.