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CITY OF
WOLVERHAMPTON
COUNCIL

Scrutiny Board Meeting

Tuesday, 14 March 2023

Dear Councillor

SCRUTINY BOARD - TUESDAY, 14TH MARCH, 2023

I am now able to enclose, for consideration at next Tuesday, 14th March, 2023 meeting of the Scrutiny Board, the following presentation that was unavailable when the agenda was printed.

Agenda No	Item
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5	<u>Public Realm - Support for Businesses</u> (Pages 3 - 22)
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Victoria Street Business Support Update for Scrutiny Board 14 March 2023

Summary timeline...

- **May 2022:** all parties came together to consider an approach to support businesses who had been impacted by the works.
- **June 2022:** SCA financial review begins
- **September 2022:** the outcome of the financial review was shared with the businesses who took part.
- **November 2022:** concerns raised, council asked to review approach
- **December 2022:** officers contacted all businesses to request permission to share financial information collected from the earlier scheme
- **December 2022:** five businesses receive interim support payments
- **December 2022:** RSM appointed to review
- **3 March:** RSM full report received with recommendations and comments for the Council to consider
- **13 March:** meeting with traders to discuss options

Business support options including RSM review...

RSM review...background / starting point...

- RSM were appointed to review the previous scheme and make recommendations for improvement for Council consideration / decision
- Their review took place between 3 January and 17 February
- The final report received on Friday 3 March 2023
- Acknowledged that in the Council's view there is **no legal requirement** on the Council to provide support
- Also acknowledged initial approach attempted a quick resolution and an immediate and urgent solution to issues.

- Whilst a reduction in turnover is often a good indicator of a loss of trade, any support **should be based on the loss of profits** a business has suffered as a result of a loss of trade caused by the works.
- The **financial review** is unlikely to have captured the true loss position, as it focuses solely on the fall in turnover of a business.
- Businesses need to be individually assessed, to understand the nature of the business and how the work may have affected their operations of loss of profit
- The **periods used** in the financial review are not adequate to assess the loss of trade and profits, noting that there is **no ‘one size fits all’ approach** to a loss of profits methodology.
- Unclear how the **financial information provided** by the traders has been verified.

Option one...

Having considered RSM's comments, the Council decides to implement the following approach utilising internal council resources to deliver

Suggested future approach...

To assesses the impact of works the council should focus on five criteria:

1. Eligibility criteria.
2. Evidence to be provided.
3. Validating information.
4. Examining evidence and calculating the loss.
5. Calculating disruption payments.

1. Suggested eligibility criteria

- A requirement to have been trading a certain number of years, of which proof acceptable to the council should be provided. For example, the business must have been trading for at least one full year prior to the works commencing.
- Businesses that only began trading during the period of the works are ineligible.
- The business must be physically located within the area of the works.
- Define company size thresholds; for example, large companies may be excluded from any assistance scheme, and any disruption payments may be capped for businesses over a certain size. Businesses are only eligible if not part of a larger group.
- Compliance with local regulations must be proved if requested, for example trading licences.
- Businesses are only eligible if there are no ongoing issues or outstanding payments due to the Council, for example business rates

2. Suggested evidence required

Traders should be able to provide the following information in order for the claim to be eligible:

- Financial statements including profit and loss accounts or other financial information showing annual value of sales and gross profit.
- The period for which this information is required would vary on a case-by-case basis, based on the impact of Covid-19, the works and other relevant factors. Ideally, this information should be provided from 2018/2019 onwards to corroborate any claimed impacts of Covid-19.
- Explanations from the business owner as to the nature of the business, any recent changes and the true extent of the impact on the business due to Covid-19, the works and any other relevant factors.
- A representative (and preferably an accountant or bookkeeper, if one was involved in preparing numbers) from the business should be made available to provide information and discuss any queries arising
- Details of any Government Covid-19 schemes utilised, including the amounts and effects of such measures.

3. Suggested validation process

The following steps should be undertaken to validate the information provided by the traders:

- Reconciling revenue to VAT returns for the same period.
- Agreeing financial statement amounts to accounts filed on Companies House, where applicable.
- If the business is a sole trader or general partnership, agreeing the figures provided to the relevant tax returns.
- Agreeing bank balances and large receipts and payments to bank statements, where applicable

4. Suggested approach to calculating loss

Total loss should be calculated based on the loss of gross profits and a consideration of any other impacts of the disruption not picked up at the gross profit level. Possible procedures may include:

- Gross profit margin review across comparative periods
- Review of cost base to ensure that the allocation of costs is appropriate
- Review of monthly performance to assess any impact that seasonality has on the results.
- Assess, as far as practicable, the impact of Covid-19.
- Analysis of the impact on the business, to validate (or not validate) the understanding obtained from the business owners.
- Review of business growth plans and likely maintainable gross profit during the year impacted.
- Calculation of loss of gross profit due to the works.
- Consideration of any other profit impact and of any failure to mitigate avoidable loss

5. Suggested approach to calculating payments

- Loss of gross profits calculated first
- Disruption payment then needs to be based on:
 - Total budget allocated
 - Number of businesses impacted
 - Total loss for each business
 - Allocation criteria for disruption payments: maximum cap and/or sliding percentage scale.

Implications / discussion points:

- Council acknowledges that the works have had an impact on traders
- Council recognises that no legal duty to provide payments but is committed to providing support where evidence is given
- RSM's comments and recommendations for Council consideration/decision are professionally and methodologically rigorous and robust and have been applied to other schemes in the West Midlands
- Adopting the approach is likely to take a considerable amount of time – the last payment for Bilston Road took place a few years after review started
- The eligibility criteria and information required is likely to be challenging for many small businesses to comply with and could exclude them
- The Council/taxpayer will have to incur further expense in implementing the recommendations

Option two...

**Implement a more accessible, generic business
support 'relaunch' grant based on less complicated key criteria**

Victoria Street Relaunch Grant

- The overall aim is to minimise bureaucracy, and therefore the impact of the process on businesses and the Council, and to deliver the resulting financial support to businesses in the next few weeks/months.
- This will maximise the benefit to local businesses and delivering value for money for the public purse
- Proposal would be to support businesses to take the opportunity to relaunch and maximise benefits
- Proposal for fixed one-off payment for those businesses who have engaged with scheme and provided information
- Enhanced by wider programme of support including events to drive footfall and business advisor support

Victoria Street Relaunch Grant

This process supersedes all previous exercises, albeit where a business has already received a goodwill gesture that will be deducted from any new sum payable through this process.

To qualify for the grant businesses must.....

1. Currently be in business, open and actively trading and impacted by the works in Victoria Street or the accelerated Phase 3 works and undertaken during Phase 1
2. Be a local/Independent Business – employ less than 250 and not part of a larger organisation or parent company
3. Sign a grant agreement that includes, but not limited to:
 - That the payment is final and legally binding
 - Agreement that any business rate arrears would be offset before any grant was paid over
 - Confirmation that the business is not subject to any pending or active insolvency proceedings and intends to operate as a going concern for the foreseeable future
 - Confirmation from the business that any grant award would not breach subsidy control levels (although unlikely to be relevant due to low Rateable Value levels)
 - Commitment that intending to remain open for business at the current location for the foreseeable future
4. Business will be required to provide their latest utility bills and also their latest bank statement to demonstrate that the business is open and actively trading, to accompany their signed grant agreement

Implications / discussion points:

- Council acknowledges that the works have had an impact on traders, whilst in the medium term this significant investment will have a positive benefit
- Council has no legal duty to make payments but is committed to providing support where evidence to support this is provided
- Much quicker option, could be resolved in matter of weeks/months
- More businesses would benefit, although the amount payable needs to be affordable within council funds
- Similar approach to Covid grants, would need to undertake due diligence and checks, to meet council audit and finance regulations and prevent fraudulent activity.

Update on traders meeting 13/3/23:

- Deputy Leader and Council Officers met with representatives of the traders group on Monday 13 March
- Provided update on works, event programme and business support options
- Council has provided details of the options for the traders group to engage with their wider business network
- Traders planning to meet to discuss with their network this week
- Council officers have offered to then meet with the wider group to answer any questions on options and timelines.
- Council will then agree funding allocation with legal and finance so that proportionate, appropriate and affordable – given taxpayers money and no legal obligation.

Questions?

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