



CABINET – 9TH SEPTEMBER 2020

SUBJECT: COVID-19 BUSINESS RENTAL HOLIDAY (TREDOMEN CAMPUS)

REPORT BY: INTERIM CORPORATE DIRECTOR - COMMUNITIES

1. PURPOSE OF REPORT

- 1.1 The report presents details of a proposal to grant a three-month rental holiday to business tenants on the Tredomen Campus, subject to meeting certain criteria.

2. SUMMARY

- 2.1 The Council has a portfolio of industrial and office accommodation across the county borough consisting of predominately industrial/light industrial accommodation, but with some office accommodation. The portfolio has been developed over time as a key component of the Council and its predecessor authority's Economic Development objectives.
- 2.2 Businesses across the county borough have been impacted by the pandemic in differing ways, with many following UK and Welsh Government advice and regulations to adopt different working practices, and through taking advantage of a range of COVID-19 related business support schemes.
- 2.3 The main source of support for business tenants during the lockdown period has been the UK-wide Non-Domestic Rates (NDR) Business Grants scheme, which provided a grant of either £10k or £25k to eligible businesses. A significant proportion of the Council's industrial & office portfolio has a Rateable Value of under £12k, which allowed the ratepayer (tenant) to receive a grant of £10k. The notable exception is the Tredomen Campus, which is operated as serviced office accommodation. This agreement means that the tenants pay an all-inclusive rent that includes Business Rates and has resulted in tenants being ineligible for the grant scheme as the Council is the ratepayer.
- 2.4 A number of business tenants initially requested support from the Council by way of a rent holiday. In response Officers introduced a rent deferral option for business tenants whereby rent due between April and June 2020 was deferred, on request, to be repaid over 3, 6 or 9 months.
- 2.5 The rent deferral period has now come to an end, but a number of businesses continue to suffer the effects of the lockdown with many reporting cashflow, customer demand and supply chain issues. As such, some requests have been made to Officers for rent to be waived as opposed to additional/extended deferment.

3. RECOMMENDATIONS

- 3.1 That Cabinet agrees to waive the rent due from private tenants located within the Tredomen Campus between April and June 2020 where the following criteria are met: -

- The tenant would have been eligible for a NDR Business Grant had they been the registered ratepayer at the qualifying date of the 20th March 2020.
- The tenant has not been able to access funding from the Economic Resilience Fund (ERF).

3.2 Cabinet is also asked to agree that the lost income of up to £75k is funded from specific earmarked reserves that will be established to meet unfunded costs arising from the Covid-19 pandemic.

4. REASONS FOR THE RECOMMENDATIONS

4.1 To support the local business community in their recovery plans as part of the Council's COVID-19 Economic Recovery Plan that is currently in development.

5. THE REPORT

5.1 The Council has a portfolio of business tenants across the county borough consisting of predominately industrial/light industrial accommodation supported by office accommodation at Oakdale Business Park, Woodfieldside Business Park and Tredomen Business Park. Tredomen Business Park includes the following office accommodation:

- Tredomen Business & Technology Centre;
- Tredomen Innovation Centre;
- Tredomen Gateway.

5.2 In total the Council currently has 324 units to let including 67 units at Tredomen Business Park. In terms of rent, the Tredomen Business Park offices are charged at higher rates and therefore contribute a higher proportion of rental income. This is due to Tredomen Business Park being serviced office accommodation whereby tenants pay an all-inclusive rent that includes rent, rates, utilities, security and reception facilities.

5.3 The budgeted annual rent across the whole portfolio is circa £2.3m thus making a positive contribution to the Council's budgets when costs are taken out of approximately £1.3m per annum. Tredomen Business Park is expected to contribute £674k, which is approximately 29% of the total budgeted income.

5.4 In order to respond to COVID-19, the UK and Welsh Governments introduced a range of business support measures including the introduction of a Non-Domestic Rates (NDR) Business Grants scheme designed to help small businesses. As Economic Development is a devolved matter, the Welsh Government established the specific criteria for the NDR Business Grants scheme, which it introduced to support businesses which either fall into the Small Business Rate Relief scheme (i.e. with a Rateable Value below £12k) or who were defined as falling into the Retail, Hospitality and Leisure sector where rateable values of the premises that they occupied fell into a range above £12k and below £50,001.

5.5 A key criterion for identifying eligible businesses for the NDR Business Grants scheme was that the person/organisation applying had to be named on the business rates bill for the property on the Council's business rates records as at the 20th March 2020. In the case of the tenants of Tredomen Business Park, the Council is the named ratepayer for each of the three buildings that form part of the campus. Each tenant pays an all-inclusive rent that covers a contribution towards utilities, security and the business rates due on the building. The unintentional effect of this has been that business tenants at Tredomen Business Park have been ineligible for the rates-related grant scheme awards of either £10k or £25k.

5.6 The ineligibility of serviced office tenants under the NDR Business Grants scheme was

consistent across the UK. As such, the Council lobbied Welsh Government (WG) via the Welsh Local Government Association (WLGGA) to address this gap in grant provision via the Economic Resilience Fund (ERF) grant scheme, which had several phases and associated eligibility criteria and application windows. The ERF was intended to plug the gaps in the support schemes announced by the UK Government, such as the Job Retention Scheme and Self-Employed Income Support Scheme.

5.7 The first phase of the ERF consisted of two main elements: -

- A £100m loan fund that offered loans of between £5,000 & £25,000 at favourable interest rates for businesses experiencing cashflow issues; and
- A £300m grant fund offering: -
 - Grants of £10,000 for micro-businesses (with between 1 & 9 employees);
 - Grants of up to £100,000 for small & medium sized firms with 10-249 employees, and;
 - Support for larger Welsh companies that are of critical social/economic importance to Wales.

The grant element of the scheme was open to businesses who had not received other forms of COVID-19-related grant support. The scheme was incredibly popular and closed to new applications after just ten days.

5.8 The second phase of the ERF was open for two weeks between 29th June and 10th July 2020 and offered an additional £100m of grant funding for Micro Businesses and Small-Medium Enterprises. The application criteria were very specific and required applicants to demonstrate a reduction in turnover of 40% or 60% (depending on size of business) and had specific requirements around elements such as VAT status, annual turnover and Pay As You Earn (PAYE) registration.

5.9 Unlike the ERF, the NDR Business Grants scheme had no specific requirements in relation to the size of company, turnover or status (other than rateable value). As such, tenants of Tredomen Business Park have been inadvertently directed towards grant funds that had restrictive application periods and eligibility criteria unlike tenants in other parts of the portfolio. However, it should be noted that not all properties in the wider industrial & office portfolio benefitted from the NDR Business Grant. Any tenants ineligible for the grant due to the rateable value of the property they occupy would also have been required to apply for grant funding via the ERF.

5.10 Regardless of access to grant funding, the economy is struggling to recover from the lockdown in spite of businesses reopening and people returning to work. Social distancing has resulted in reduced workforces and outputs across many sectors, with manufacturing being particularly hard hit. Since a large proportion of tenants across the industrial and office portfolio are in the manufacturing industry, it is anticipated that there will be an ongoing need for support for business tenants in the short and possibly medium-term.

5.11 As one of the greatest overheads for companies is the cost of their premise, it seems highly likely that tenants will request assistance in terms of their rent. This has already been requested by some tenants, notably from Tredomen Business Park, but across the portfolio as well. Concern has been expressed that additional deferrals will increase debt at an already difficult time as well as increase the outgoings of businesses in the short to medium-term.

5.12 Local Authorities across Wales have taken varying approaches to requests for rental holidays, with between 1 and 3 months being the average duration of such agreements. Whilst blanket rental holidays have been applied in some areas, the most common approach appears to be agreeing to waive rent on condition of a business demonstrating the need as a result of COVID-19.

5.13 For the reasons outlined above Cabinet is asked to agree to waive the rent due from private

tenants located within the Tredomen Campus between April and June 2020 where the following criteria are met: -

- The tenant would have eligible for a NDR Business Grant had they been the registered ratepayer at the qualifying date of the 20th March 2020.
- The tenant has not been able to access funding from the Economic Resilience Fund (ERF).

5.14 Based on the above it is estimated that up to 22 tenants may qualify for the proposed rental holiday. It should be noted that there are some internal CCBC tenants at Tredomen Business Park and their rental agreements will be unaffected by this proposal.

6. ASSUMPTIONS

6.1 The financial pressures on local authority budgets will increase as a result of COVID-19.

6.2 Businesses will take time to recover as economic uncertainty remains over a longer time period than originally forecast at the start of the pandemic.

6.3 It is assumed that the current uncertainty around Brexit will continue to impact on business affecting the economic consequences for industry.

6.4 That there will not be a second lockdown period in the Caerphilly area.

7. LINKS TO RELEVANT COUNCIL POLICIES

7.1 The contents of the report links with *A Foundation for Success (Regeneration Strategy 2018-2023)* objectives in relation to "Support Business": -

- Creating an environment that nurtures business – the proposals in the report will assist local businesses who have had to withstand an unforeseen and unprecedented period of economic instability;
- Boost business support & enterprise – the rent assistance will complement the wider business support activity that is offered by the Authority and the range of measures that have been introduced in response to COVID-19;

7.2 The report supports the *Corporate Plan 2018-2023* under well-being objective 2 of enabling employment by supporting businesses that offer valuable, high quality jobs during this challenging time. Providing businesses with financial support at this time will assist them in job retention in the short-term and provide stronger foundations for future expansion and job creation.

8. WELL-BEING OF FUTURE GENERATIONS

8.1 The Well-being of Future Generations (Wales) Act 2015, sets out seven Well-being Goals which aim to make a positive impact upon the social, economic, environmental and cultural well-being of the area or community concerned. The industrial & office property portfolio aligns with the following Well-being Goals: -

- A prosperous Wales;
- A resilient Wales.

8.2 The Well-being of Future Generations (Wales) Act 2015 sets out the sustainable development principles against which all public bodies in Wales should assess their decision-making. The

aim of the legislation is to ensure the well-being of future generations through maximising the contribution public bodies make towards the well-being goals. The principle is also known as the five ways of working and the following are relevant in relation to this report: -

- Long Term – Assisting business tenants that are facing financial pressures in the immediate aftermath of the COVID-19 crisis will allow these businesses to recover and support the wider economy in the longer-term;
- Prevention – Rent relief in the short-term will support the portfolio's income going forward by alleviating immediate financial pressures and sustaining the current occupancy rate and ongoing income;
- Collaboration – Tenant businesses have expressed concern in respect of their rent obligations and the consideration of the report is considering these concerns and giving them confidence in the Authority as their landlord and will maintain their presence in the County Borough;
- Involvement – As outlined above, tenant businesses have the potential to support the Authority in its wider well-being objectives going forward and it is important to nurture a positive working relationship to collaborate on these objectives in the long-term.

9. EQUALITIES IMPLICATIONS

- 9.1 An EIA screening has been completed in accordance with the Council's Strategic Equality Plan and supplementary guidance. No potential unlawful discrimination and/or low level or minor negative impact has been identified. Therefore, a full EIA has not been carried out.

10. FINANCIAL IMPLICATIONS

- 10.1 The cost of the proposed waiving of rent for those tenants that may be eligible will result in a loss of income of circa £75k.
- 10.2 The lost income will not be claimable from the WG Covid-19 Hardship Fund as it will be deemed to be as a consequence of a local decision.
- 10.3 It is proposed that the lost income is funded from specific earmarked reserves that will be established to meet unfunded costs arising from the Covid-19 pandemic.

11. PERSONNEL IMPLICATIONS

- 11.1 There are no personnel implications in relation to this report.

12. CONSULTATION

- 12.1 The draft report has been circulated to the consultees listed below and all comments incorporated into this version of the report.

13. STATUTORY POWER

- 13.1 The Local Government Acts 1998 and 2003.

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