

## **Trams for Edinburgh Small Business Support Scheme**

### **Preamble**

The Small Business Support Scheme was agreed between tie, CEC and the Edinburgh Chamber of Commerce in October 2006.

The scheme therefore consists of two key components:

1. The provision of £2m from the tram budget towards a small business support scheme which applies during MUDFA only. This consists of three sub elements:-

(i) £1.6m for the **Primary Support Element** which comprises of £3k or £4k payments to businesses which are able to meet the eligibility criteria.

(ii) £350k for the **Additional Support Element** which is essentially a top up scheme aimed at businesses which have to operate in construction hot spot areas. It is intended that these areas will be decided by tie, CEC and the Edinburgh Chamber of Commerce. The same criterion for the primary support element applies but also includes the requirement for the business to demonstrate a loss as a consequence of tram utility diversions.

(iii) £50k has been set aside to contract Cowan & Partners, the independent accountants to administer the scheme and therefore eliminate the need for a costly and time-consuming appeal mechanism.

The initial success of the tie element cannot be under-estimated for the following reasons:

- At present in excess of £500k has been paid out.
- Over 50% of businesses on Leith Walk have benefited from the scheme.
- The positive aspect of the scheme is demonstrated by the eligibility criteria for support being set at a rateable value of £28k per annum. This widens the scope for more small businesses to be included as the current Scottish Government criterion for the classification of a small business is set at a rateable value of £15k.

The Edinburgh Chamber of Commerce have up until now been content that the scheme covers its original intention which was to give some support to as many businesses as possible.

***Note: From the outset it was never intended that this was to be regarded as a compensation scheme as that would involve much more detailed and costly investigation to substantiate losses.***

***It's also worth noting that in no other tram project, both in the UK or Europe, has any form of financial business support been provided. In the Nottingham Tram Scheme it was decided that small businesses in the***

***Hysam area (equivalent of the length of Shandwick Place) would be able to apply for business compensation. £300k was set aside for this purpose.***

2. The business rates reduction scheme which applies during MUDFA and INFRACo.

This consists of the Lothian Assessor's office determining the impact of the construction site on the property values of businesses as frontagers. This impact, if any, is then represented with a temporary reduction in the business rates. During negotiations with the Lothian Assessor's office it was eventually accepted by the Assessor that the tram construction programme was probably unique to any other public works. As a consequence the Assessor indicated the position in a statement provided to tie's solicitors which is as follows:

"Having considered the tramway proposals in detail, the Assessor is satisfied that the works involved will be on a wholly different scale from normal road-works involving surfacing and utilities repairs, to the extent that they may constitute a material change affecting value.

The Assessor therefore intends to make temporary reductions in Rateable Values, for the duration of the construction works, to properties of a retail character whose main customer access is from the street fronting the tramway construction works".

"The standard reduction will be 20.0% and will apply to average situations such as may occur on Leith Walk, Princes Street and West Maitland Street. Greater reductions may be applied in the most severe cases of disturbance which will be determined on an individual basis.

Reductions may however also be set at a lower percentage where properties are affected to a lesser degree, for example where they are set back from the construction works, such as at the southern section of Elm Row".

The Edinburgh Chamber of Commerce, the Federation of Small Businesses, tie and the City of Edinburgh Council have made representations to the Lothian Assessor's office that they do not believe that the spirit of the agreement is being applied. For instance, they too have the view that the business rates reduction would have applied to both sides of regardless of which side the works were taking place.

***Note: It was always going to be difficult to realise the benefits of this part of the scheme as it is based on an evaluation of property which need not take account of all aspects of the construction. That being said most***

***businesses along the line of the route which have both MUDFA and INFRACo works adjacent to their property will mostly receive 20%.***

## **Review of the Edinburgh Tram Business Support Scheme**

### **Recent changes:**

The scope of the scheme was reviewed last year and again in recent weeks.

1. Last year **tie** and CEC expanded the scheme to include an additional £300k as part of a three year package to promote Edinburgh's Open for Business. A sub-group of the Edinburgh Retail Forum was set up and chaired by the Edinburgh Chamber of Commerce for the purpose for making the strategic decisions on marketing the City during tram construction.

2. In the last few months a further change was made which amended one of the eligibility criteria. Before businesses had to be operating prior to 1<sup>st</sup> April 2006 however this has changed to on or before 31st January 2008.

### **Scope for further changes:**

Since the above changes **tie**, CEC and the Chamber of Commerce have considered that there may be scope for further changes to the scheme. This is based on the commitment that the money allocated to the scheme will be spent on business support and that it now looks highly likely that the money allocated will not all be spent.

It is, therefore, recommended that future changes should take into account the need to:

- Promote a wider take up of the benefits of the scheme, and;
- Provide support to the wider business community including those businesses which are not eligible to apply.

### **Reason for the changes:**

In recent months it has become evident that any immediate impact of the MUDFA utility diversions can be greater for businesses operating on side streets as opposed to frontages. In particular this is the case where some streets have been closed off especially for several weeks. One example of this is the Jane Street junction with Leith Walk. In this instance the entrance to all traffic was closed for 18 weeks and this may have had a significant impact on two small businesses. Another example is the closure of Stafford Street at the junction with Shandwick Place. Some of the businesses immediate to this closure may experience some degree of impact.

At present businesses in these circumstances are excluded from the tie element of the scheme.

There are other instances where we need to heighten the profile of those businesses and business communities (Leith Walk, West End Traders, George Street Traders and City Centre Traders) which have no access to the business support scheme especially those whose rateable value is slightly more than the £28k band such as those between £28k and £35k.

### **Recommended changes:**

The ECofC have raised the following options for consideration:

1. Widening the geographical scope of the scheme so as to reclassify the meaning of a frontager. This would apply to certain businesses on side streets.
2. Once the above is addressed any anticipated unallocated money in the budget should be allocated to the Open for Business resource. This would help support the message that we wish to support those businesses who are excluded under the £28k rateable value criteria through marketing their businesses and street area and therefore demonstrating a understanding that they too need help.

**Note: Any further change to the rules needs to have a legitimate rationale based on the fact that there is a limited financial resource with a £2m limit. As in the initial scheme there also needs to be a clear definition of who can apply and who cannot. Up until now having a set of rules has worked.**

### **1. Geographical scope of the scheme**

It is proposed that the amendment to geographical scope covers the following area:

Any side street business immediately adjacent to the MUDFA works will now be included as a frontager for the purposes of the **Primary Support Element** of the scheme where:

- a) it is located on a distance of no greater than 100 metres from the works, and;
- b) the postal address of the business is for the street immediately adjacent to the works such as on Stafford Street for example.

The existing eligibility criterion for the Primary Support Element applies in these circumstances.

## **2. Open for Business resources**

In order to address the continued support for those businesses that are unable to apply for the scheme due to the rateable value criterion it is therefore recommended that we top up the Open for Business fund with any money which may be remaining when after the money available under geographical extension has been paid out.

It is viewed that this objective would be widely accepted by the entire business community representative of the line of the tram route.

