

## Record of officer decision

<b>Decision title:</b>	<b>Approval of amendments to the Discretionary (Covid-19) Business Grant Fund</b>
<b>Date of decision:</b>	27 July 2020
<b>Decision maker:</b>	Director for Economy and Place
<b>Authority for delegated decision:</b>	<p>A cabinet member decision taken on 12 June 2020 (Decision on arrangements for the Discretionary (Covid-19) Business Grant Fund).</p> <p>The full report and decision notice can be found here:  <a href="http://councillors.herefordshire.gov.uk/ieDecisionDetails.aspx?Id=6931">http://councillors.herefordshire.gov.uk/ieDecisionDetails.aspx?Id=6931</a></p> <p>Recommendation B of the report approves “the approach to delivering the Discretionary Grant scheme”.</p> <p>Paragraphs 14 to 19 detail the approach to the delivery of the grant scheme and paragraph 15 highlights that “should any funds remain at the end of an application round, a further application window will be opened which may consider the inclusion of other business sectors for support.”</p>
<b>Ward:</b>	Countywide
<b>Consultation:</b>	Consultation has been undertaken with the finance and legal teams and their comments are incorporated in this decision. In addition the Cabinet Member for Environment, Economy and Skills has been consulted on the decision and the comments have been taken incorporated.
<b>Decision made:</b>	<p>Approve amendments to the eligibility criteria and the award calculation of the Discretionary Business Grant (Covid-19) for future funding rounds and to be retrospectively applied to all first round applicants. Amendments include:</p> <p>Increase the minimum award to £2,000 and amending the calculation so that businesses allocated lower award values, receive double the initial funding amount; Increase the cap on mortgage and rent costs to £51,000 for businesses within the four prioritised groups;</p> <p>Include those businesses with a rateable value of over £15,000 and up to £51,000, who have not previously received funding, within the scheme. The grants for successful applicants under this element of the scheme to be set at £10,000;</p> <p>Introduction of a “Unique Circumstances Fund” to address any specific businesses that are not able to access any other forms of government support and require some support to maintain a viable, long term, business.</p>
<b>Reasons for decision:</b>	<p>The Small Business Grant Scheme and the Retail and Hospitality and Leisure Grant Scheme did not address all businesses with fixed property costs as it could only provide grants to businesses that were ratepayers. Government therefore made an additional allocation of 5% of the previous schemes total available to local authorities to operate a Discretionary Grant Scheme.</p> <p>Government provided mandatory criteria for the scheme and a strong steer on what the funds should be primarily and predominantly used for. Government, also</p>

	<p>asked local authorities to prioritise the following four groups for these awards:</p> <p>Small businesses in shared offices or other flexible workspaces, who do not have their own business rates assessment;</p> <p>Regular market traders with fixed building costs, such as rent, who do not have their own business rates assessment;</p> <p>Bed &amp; Breakfasts which pay council tax instead of business rates; and</p> <p>Charity properties in receipt of Charitable Business Rates Relief which would otherwise have been eligible for Small Business Rates Relief or Rural Rate Relief.</p> <p>The council therefore made a decision to focus on the government priority sectors during a first funding round and subject to the availability of funds, widen the scope of the criteria for future funding rounds utilising the discretion provided by Government. For the council's first funding round, the award calculation rationale was devised to reflect 6 months of property costs (reflecting the anticipated lost trade) multiplied by half of the businesses FTE employees (as a proxy for the wider overheads of the business).</p> <p>The scheme criteria were developed in consultation with the council finance teams who had developed experience through their administration of the other government Covid-19 support grants. In addition district audit were consulted to ensure that the scheme criteria could be demonstrated to be equitable and auditable.</p> <p>The scheme was launched on the 15th June and closed on 29th June. This round of funding attracted exactly 200 applications. Of this total approximately 37% were rejected at assessment stage because the applicants were ineligible. Principal reasons for ineligibility included:</p> <ul style="list-style-type: none"> <li>Businesses with property related costs over the £15,000 threshold.</li> <li>Businesses who had already received support via the governments other grant schemes.</li> </ul> <p>Home based businesses who did not have fixed business property costs.</p> <p>During the initial funding round officers became aware of the lower than expected number of applications and instigated paid for advertising content with the Hereford Times on their website, and paid for targeted adverts via Facebook.</p> <p>This additional advertising supplemented initial communications via the council's communications team, press releases, social media content, emails and letters to major partners such as the Chamber of Commerce, Hereford BID, and Federation of Small Businesses, and direct emails to over 4,000 businesses on the Economic Development team's CRM system.</p> <p>The council webpage for the Herefordshire Coronavirus Discretionary Grant Fund received around 1,900 unique hits with around 10% of these applying during the application window.</p> <p>Based on evidence from a number of sources initial estimates indicated circa 600 businesses may have been eligible to apply in the initial round of funding based on the criteria. The actual approval rate is circa 23% of eligible businesses.</p> <p>The above information suggests that significant numbers of businesses were aware</p>
--	---

of the Discretionary Grant Scheme but on viewing the scheme criteria it is considered they either found themselves to be ineligible or viewed the process as too onerous for the anticipated level of grant award. The lifting of Covid-19 restrictions for many of the eligible sectors may have meant that some businesses were focusing on re-opening rather than on this opportunity.

that the minimum grant award is increased to £2,000, with the maximum grant of £10,000 is retained and the calculation amended as follows:

As indicated above 125 awards will be made. It is therefore calculated that under the initial criteria the grant scheme would allocate around £440,000 during this funding round with £2,760,000 funds remaining.

The remaining funds provide the council the opportunity to consider how the scheme can be extended so that businesses in a greater range of circumstances or that have missed out on other funding, can be supported. In addition, there is the opportunity to consider how funding awards could be increased to reflect the feedback from businesses that they will be disrupted for a much longer period than the six months that was previously considered. Additionally the business applicants are demonstrating a wider set of overhead costs than is eligible through the scheme (mortgage, rent, licence or pitch fees).

It is proposed

*Property costs (rateable value, rent or mortgage repayments) x 50% of FTE employees = Grant award*

This change to the calculation and minimum award, applied to the first funding round increases total awards from approximately £440,000 to £640,000.

It is also proposed that for future rounds the scheme eligibility criteria is amended as follows:

B&Bs without rent or mortgage costs to be eligible for the fund and receive the minimum award;

Charities are able to include evidenced volunteer time in the calculation of Full Time Equivalent (FTE) employees to be capped at the cumulative total of 4 FTE volunteers;

Businesses with a business rates assessment for a hereditament with a rateable value of over £15,000 and up to £51,000 and that have not received a previous grant will be eligible and receive the maximum grant;

Proportionately raise the property costs (rent or mortgage) limit for businesses without rates assessment in the four priority categories up to £51,000 to reflect point 3; and

Should the scheme become oversubscribed in any new funding round all grants within that round would be reduced on a proportionate basis.

The recommended changes to the application criteria would evolve the scheme by maintaining virtually all of the existing criteria but also directly address some of the points identified above.

The first two proposals are small amendments to address anomalies in the original criteria reflecting the norms for these types of businesses that have become apparent during the first funding window. It is not considered that they will have a significant impact on demand or the budget.

Proposals three and four reflect the demand from a number of small businesses not

	<p>in the Retail, Leisure and Hospitality sectors that have been significantly impacted by the Covid-19 situation. Businesses in this group, include those in sectors such as manufacturing, wholesale, construction and professional services that have seen a large impact to their businesses from the Covid-19 crisis. These businesses are also likely to provide significant employment and be important links within local supply chains. Providing grant support to these businesses' fixed property costs may help them survive and retain employment and the wider economic benefits they offer.</p> <p>Whilst the threshold for the property costs criteria would be raised to £51,000 the grant itself would be capped at £10,000 to ensure those supported in the original funding round are not disadvantaged and to reflect the government criteria which says grants can be given out below £10,000, at £10,000 or at £25,000.</p> <p>Applications to these elements of the grant will be sought via an open funding round within which funding decisions are taken every fortnight on all applications made within that period. The funding round will remain open until all funds are allocated. If in any two week period the applications approved exceed the remaining funding then all funds awarded within that period are reduced proportionally. The funding decisions can be taken more frequently than every fortnight if required.</p> <p><b>Unique Circumstances Fund</b></p> <p>It is apparent from queries received by the team that there are a number of businesses that are not eligible for any government support and are significantly impacted. There are cases where anomalies in scheme criteria are meaning that businesses that would otherwise have received support are ineligible for often illogical and/or unfair reasons.</p> <p>Developing a Unique Circumstances Fund, ringfenced at 20% of the total budget, would allow officers to address those obvious anomalies – subject to the business meeting all other usual eligibility criteria, and address support for key sectors unable to access other government funds for example cultural businesses such as theatres.</p> <p>The principle and the size of the Fund are included in this Record of Officer Decision, the detailed criteria against which applications to the fund will be judged will be drawn up by officers in consultation with Cabinet Members. If required a further Record of Officer Decision will be taken recording the Fund criteria and the awards approval process.</p>
<b>Highlight any associated risks / finance / legal / equality considerations:</b>	<p><b>Finance</b></p> <p>In the first round of the grant scheme 125 businesses were awarded funding totalling £543,467. This leaves a total of £2,656,533 remaining within the available funds.</p> <p>Using information supplied by Business Rates, demand analysis suggests that there are approximately 360 businesses within the eligibility criteria with a business rating of over £15,000 and up to £51,000 in Herefordshire. This will include several large businesses that will not fit into the micro and small business definition that will be applied, therefore the net figure of potential applicants is not known.</p> <p>As experienced during the first funding round, all eligible businesses will not all apply in a single funding round. There is also the option of reducing the funding award if applications exceed the budget. 200 businesses out of this gross number (360) would result in allocation of circa £2m which is within the budget and</p>

	<p>provides an allowance for more applications from the four priority groups and the creation of the Hardship fund.</p> <p>The table below demonstrates the allocation of funding.</p> <table border="1" data-bbox="579 348 1405 624"> <thead> <tr> <th>Budget</th><th>£3,200,000</th></tr> </thead> <tbody> <tr> <td>Initial funding round</td><td>£543,467</td></tr> <tr> <td>Future funding rounds</td><td>£2,016,533</td></tr> <tr> <td>Unique Opportunities fund</td><td>£640,000</td></tr> </tbody> </table> <p><b>Risk</b></p> <p>There is a reputational implication if the council continues with the current scheme criteria and commits low levels of grants and/or has funding remaining which could be supporting businesses in financial hardship.</p> <p>Additional risk considerations are:</p> <ul style="list-style-type: none"> <li>• <b>Demand for the grant exceeds the available budget:</b> It is very difficult to accurately estimate gross demand and how many applications are likely to be received but it is safe to assume that not all businesses that are eligible will apply. If demand exceeds the budget, awards will be proportionately reduced in the funding round so that the budget is not exceeded.</li> <li>• <b>Reputational risk to the council in not supporting some business groups:</b> Given the limited level of available funds, the Herefordshire scheme will be limited to support those that Government have principally and predominately stated are a target for funds in addition to the groups that Government have identified as a priority in the national guidance.</li> <li>• <b>High volume of applications, which will have an impact on resourcing:</b> An initial eligibility check of applications will ensure only those that meet the scheme requirements progress to the appraisal stage. Resources are in place to assess around 300 applications and more resources could be allocated.</li> </ul> <p>There are no different legal or equality considerations from the agreed decision taken on the 12 June 2020.</p>	Budget	£3,200,000	Initial funding round	£543,467	Future funding rounds	£2,016,533	Unique Opportunities fund	£640,000
Budget	£3,200,000								
Initial funding round	£543,467								
Future funding rounds	£2,016,533								
Unique Opportunities fund	£640,000								
<b>Details of any alternative options considered and rejected:</b>	<p>Consideration has been given to maintaining the existing scheme criteria. Under the current scheme the average grant award is circa £3,165 and the median grant is £1,300, meaning half the grant awards in the current window will be between the minimum grant (£1,000) and the median (£1,300).</p> <p>Under the current criteria and at the current rate of approvals and average grant awards it would take over 850 further applications to allocate all the scheme funds. It is not considered feasible that there are sufficient businesses within the county who would be eligible under the current criteria to take up the grant at the levels required to award all the funding. For this reason maintaining the current scheme criteria has been discounted as an option.</p> <p>Consideration has also been given to including mobile and home based businesses. Office of National Statistic's evidence suggests that there are potentially over</p>								

	<p>10,000 businesses who would be classified as mobile or home based businesses within Herefordshire.</p> <p>Whilst many would have received support via the Self Employed Income Support Scheme a significant number will not have been eligible for this support and could be eligible for an amended Discretionary Grant. Whilst setting some further eligibility criteria could limit the number of applications from this sector it is difficult to justify what these criteria should be.</p> <p>Given the likely number of potential applications from within this sector it would be necessary to make low levels of grant awards. Given the likely administrative requirement it is probable that making the awards could take a significant resource and time.</p> <p>The principal consideration is that the government criteria states that the Discretionary Grant should be used to support businesses with relatively high ongoing property costs. By definition, a mobile or home based business is unlikely to be able to demonstrate that they have relatively high property costs that relate specifically to the business.</p> <p>For these reasons, mobile and home based businesses have not been considered for inclusion within the amended scheme criteria.</p>
<b>Details of any declarations of interest made:</b>	None

Signed

Richard Ball  
Director for Economy & Place

Date: 27 July 2020