

Decision maker:	Cabinet member environment, economy and skills
Decision date:	Friday, 12 June 2020
Title of report:	Decision on arrangements for the Discretionary (Covid-19) Business Grant Fund
Report by:	Economic development manager

Classification

Open

Decision type

Key

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant.

This is a key decision because it is likely to be significant having regard to: the strategic nature of the decision; and / or whether the outcome will have an impact, for better or worse, on the amenity of the community or quality of service provided by the authority to a significant number of people living or working in the locality (two or more wards) affected.

Notice has been served in accordance with Part 3, Section 11 (Cases of Special Urgency) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) Regulations 2012.

Wards affected

All

Purpose

To approve expenditure and approach to delivering the Covid 19 Discretionary Grant Scheme.

In May the government announced that it would provide Local Authorities with additional funding to target small businesses with high fixed property-related costs but that are not eligible for the current grant schemes.

This decision considers the targeting and delivery of these additional funds.

Recommendation(s)

That:

- (a) **The cabinet member for Environment, Economy and Skills approves the expenditure (£3.2m) of government funding provided for the Covid 19 Herefordshire Discretionary Grant Fund.**
- (b) **The cabinet member for Environment, Economy and Skills approves the approach to delivering the Discretionary Grant scheme.**
- (c) **The Head of Economic Development and the Economic Development Manager be authorised to approve grant awards to businesses following satisfactory appraisal of the applications received (up to a value of £10,000 per business).**

Alternative options

1. Do nothing – the council could choose to not deliver the Discretionary Grant scheme, however businesses severely impacted by Covid 19 would not receive the available support leading to increased risk of insolvency and loss of local employment.
2. Open to wider business base – The government [guidance](#) states that Local Authorities can use their discretion to consider who should be eligible for the grant, but asks that councils prioritise small businesses in shared offices or other flexible workspaces, regular market traders who do not have their own business rates assessment, Bed & Breakfasts which pay Council Tax instead of business rates, and charity properties in receipt of charitable business rates relief which would otherwise have been eligible for Small Business Rates Relief or Rural Rate Relief. The council could utilise its discretion to open the scheme to a wider business base. However, as only 5% (£3.2m) of additional funds are available, we would be unable to provide support to all of the businesses that could apply.
3. Provide funding on a first come first served basis – The council could assess applications on a first come first served basis, providing funding to eligible businesses in the order they apply until the funds are exhausted. This would mean those businesses who were quickest to apply would receive the funding, potentially not supporting those in greatest need. The proposed approach to providing a time limited window (or windows if funds remain) provides all with an equal and fair chance to apply.

Key considerations

4. In March 2020 following the announcement of a 'lockdown' in response to Covid 19, government provided a range of financial support to businesses including two schemes of business grant funding - the Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund (the 'original scheme') aimed at smaller businesses who were liable for business rates.
5. In order to offer a similar form of support to small businesses that do not necessarily have a Business Rate liability but have fixed property costs, on 1 May 2020 a further discretionary

scheme was announced. The guidance and financial arrangements (Annex A) were published and then updated on the 22 May 2020.

6. The guidance states that Local Authorities may disburse grants to the value of £25,000, £10,000 or any amount under £10,000.
7. The guidance also states that in taking decisions on the appropriate level of grant, Local Authorities may want to take into account the level of fixed costs faced by the business in question, the number of employees, whether businesses have had to close completely and are unable to trade online and the consequent scale of impact of COVID-19 losses.
8. The guidance sets out the types of business that these grants are aimed at;
 - Small and Micro businesses, as defined in Section 33 Part 2 of the Small Business, Enterprise and Employment Act 2015 and the Companies Act 2006, please note: Small businesses must satisfy two or more of the following requirements:
 - Turnover of not more than £10.2 million per annum,
 - Balance sheet of not more than £5.1 million,
 - Headcount of less than 50 staff.
 - Micro businesses must satisfy two or more of the following requirements:
 - Turnover of not more than £632,000 per annum,
 - Balance sheet of not more than £316,000,
 - Headcount of no more than 10 staff.
 - Businesses with relatively high ongoing fixed property-related costs,
 - Businesses which can demonstrate that they have suffered a significant fall in income due to the COVID-19 crisis, and
 - Businesses which occupy property, or part of a property, with a rateable value or annual rent or annual mortgage payments below £51,000.
9. Furthermore, the guidance states that the grant funding is for businesses that are not eligible for other support schemes. Businesses which are eligible for cash grants from any central government COVID-related scheme (apart from Self-Employed Income Support Scheme) are ineligible for funding from the Discretionary Grants Fund. Such grant schemes include but are not limited to:
 - Small Business Grant Fund
 - Retail, Hospitality and Leisure Grant
 - The Fisheries Response Fund
 - Domestic Seafood Supply Scheme (DSSS)
 - The Zoos Support Fund
 - The Dairy Hardship Fund
10. Businesses who have applied for the Coronavirus Job Retention Scheme are eligible to apply for this scheme.
11. Only businesses which were trading on 11 March 2020 are eligible for this scheme.
12. Companies that are in administration, are insolvent or where a striking-off notice has been made are not eligible for funding under this scheme.

13. The guidance asks Local Authorities to prioritise the following types of business/ charitable organisation for support;
- Small businesses in shared offices or other flexible workspaces, who do not have their own business rates assessment,
 - Regular market traders with fixed building costs, such as rent, who do not have their own business rates assessment,
 - Bed & Breakfasts which pay council tax instead of business rates, and
 - Charity properties in receipt of Charitable Business Rates Relief which would otherwise have been eligible for Small Business Rates Relief or Rural Rate Relief.

Proposed Herefordshire Scheme

14. As there is a limited amount of additional funding (£3.2m) available, the Herefordshire scheme will focus on those priority areas identified by government in the guidance (paragraph 13 above).
15. Applications will be invited in a time limited window(s), with all funding decisions taken at the same time at the end of a window following the assessment of applications received. This will ensure all businesses have an equal and fair chance to apply and be considered for grant funding. The application and appraisal processes (based on the current delivery of their grant schemes) will ensure that only eligible businesses (as defined in the government guidance) receive funds. 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.
16. Recognising that the levels of fixed property costs and wider overheads will vary depending on the size and nature of each business, through the application appraisal process the following calculation will be utilised to determine the size of grant that will be awarded (with a minimum grant value of £1,000 and a maximum of £10,000);
- 50% annual fixed property costs x 50% of Full Time Equivalent Employees = amount of grant
17. The rationale for using this calculation to determine the level of grant is in line with the government guidance and is based on the following;
- 50% fixed property costs – Covid 19 has had a significant impact on businesses for 3 months already many of whom have had to close losing all trade. Although some restrictions have started to be lifted it is likely to be a number of months before businesses are fully operational again.
 - 50% Full Time Equivalent Employees – The level of employees is used to determine the size of business and therefore to consider the likely level of additional overhead costs larger business may be facing. The Discretionary Grant scheme is not being provided to support salary costs, this is provided through government's Coronavirus Job Retention Scheme and the Self-Employed Income Support Scheme.
18. Based on an assessment of the potential numbers of applicants in the sectors defined in paragraph 13 it is estimated that circa 600 applications may be received/ grants paid. Should the value of applications received in any one funding round exceed the value of the available budget, the council reserves the right to proportionately reduce the value of grant offered to each business to bring the scheme within budget. This will be explained in the application guidance.

19. Through the appraisal process due diligence checks will also be put in place to check that the business is trading and the information and evidence supplied is correct to avoid fraud or reputational risks. Further application rounds may consider targeting other business sectors. The guidance (annex B), application form (annex C), and appraisal (annex D) are attached to this decision.

Community impact

20. Covid 19 has had an unprecedented impact on the Herefordshire population and the local economy. As of the end of March 2020 as we entered lockdown a number of businesses were instructed to close such as tourism, hospitality, non-essential retail and cultural organisations. Although not ordered to close, many manufacturing and construction sites closed due to concerns in meeting social distancing requirements. The closure of all of these businesses has had an impact on their supply chains and professional services.
21. As such many businesses have had to furlough staff, a Marches Local Enterprise Partnership survey indicates that of those who responded 40% have furloughed staff in Herefordshire. There is a risk that as the Coronavirus Job Retention Scheme comes to an end a high proportion of these businesses may need to make redundancies. Universal Credit and Job Seekers Allowance schemes in Herefordshire have already seen an increase in claimants of 86% between March and April 2020 due to the Covid 19.
22. The closure of tourism, hospitality non-essential retail sectors has also had a disproportionate impact on the younger age workforce (nationally 26% of people below the aged between 16 and 24 work in these sectors compared 10% in other industries¹).
23. The Covid 19 Discretionary Grant scheme will provide assistance to businesses who are threatened with closure due to Covid 19, securing employment in the county as we move in to the recovery phase.

Equality duty

24. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:
A public authority must, in the exercise of its functions, have due regard to the need to -
- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
25. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services.

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<https://www.ons.gov.uk/peoplepopulationandcommunity/leisureandtourism/articles/tourismemploymentsummaries/characteristicsoftourismindustries2014>

26. The Covid 19 Discretionary Grant Scheme will be open to any eligible business as defined in the government guidance. Operating the scheme through an application window(s) will ensure all have an equal and fair chance to apply. The proposed appraisal process provides the basis for an open and transparent approach to consider applications, prioritising those for different levels of support based on their fixed property costs and levels of employment.

Resource implications

27. Government has committed to providing the additional 5% of funding required for the Covid 19 Discretionary Fund (or the balance of funds should any budgets remain from the original grant scheme). The council's expenditure in relation to the Discretionary Business Grant Scheme is therefore likely to be £3,215,500.

28. The guidance states that government are committed to meeting the delivery costs to local authorities for this scheme and will meet associated New Burdens costs.

Revenue or Capital cost of project (indicate R or C)	2019/20	2020/21	2021/22	Future Years	Total
Revenue		£3,215,500			£3,215,500
TOTAL		£3,215,500			£3,215,500

Funding streams (indicate whether base budget / external / grant / capital borrowing)	2019/20	2020/21	2021/22	Future Years	Total
Government Covid 19 Funding		£3,215,500			£3,215,500
TOTAL		£3,215,500			£3,215,500

Revenue budget implications	2019/20	2020/21	2021/22	Future Years	Total
Additional Funding Provided by Government		£3,215,500			£3,215,500
TOTAL		£3,215,500			£3,215,500

Legal implications

29. The cost of the COVID-19 Discretionary Grant Scheme will met using a grant under 31 of the Local Government Act 2003.
30. The Council has the power to deliver the COVID-19 Discretionary Grant Scheme under Section 1 of the Localism Act 2011.

31. Under the terms of the Local Authority Discretionary Grant Funding the council is authorised to make grants of £25,000, £10,000 or any sum under £10,000 and it is for the council to use its discretion to ensure that grants provided to meet local circumstances. The council has decided that the maximum grant that it will award is £10,000 as this is judged to be most appropriate taking into account local circumstances.
32. In exercising their discretion the council is required to clearly set out and publish their criteria that will be used to determine the appropriate level of grant that may be awarded. The details of these criteria need to be set out on the council's website.
33. In assessing applications for grants under the COVID-19 Discretionary Grant Scheme the council are required to ensure that any applicant that they fall within the definition of small or micro business as set out in paragraph 8 of this report and are not in receipt of other grant funding under other COVID-19 support schemes (with the exception of the Self Employed Income Support Scheme and the Coronavirus Job Retention Scheme). The council should request whatever supporting information necessary to ensure that any information contained in the grant application form is correct and accurate. The council will also need to be certain that the business applying for a grant under the COVID-19 Discretionary Scheme was trading on 11 March 2020 and were not in administration, insolvent or subject to a striking-off notice as these business are not eligible.
34. When grants are awarded the council is required to obtain a written confirmation from each business that they are eligible for the grant and that accepting the grant will not infringe any State aid requirements.
35. The Section 31 Grant letter has not yet been received but will be reviewed by the legal team once it is provided to comment on any clawback provisions contained therein.

Risk management

36.

Risk / opportunity	Mitigation
More people apply for the grant scheme than available budget (£3m)	The council reserves the right to proportionately reduce the value of grant awarded to businesses to bring in line with the available budget.
There is a reputational risk to the council in defining which businesses are eligible to apply.	Given the limited level of available funds, the Herefordshire scheme will be limited to those businesses identified as a priority by government in the national guidance.
There may be a very high volume of applications, which will have an impact on resourcing.	Communications regarding the scheme will make it clear who is eligible to apply. An initial eligibility check of applications will ensure only those that meet the scheme requirements progress to the appraisal stage. An assessment has been undertaken

	of the potential numbers of businesses in the county that may be eligible, which indicates circa 600 businesses may apply.
The council may receive a high level of complaints from businesses excluded from being eligible or the basis of the calculation of their grant.	The scheme communications and guidance clearly explain the rationale for which sectors are eligible (in line with the government guidance) and how the calculation will be made in advance of launching the scheme. It is the responsibility of the applicant business to provide the evidence required to support their application.

Consultees

37. Political groups have been consulted and two comment were received;

- The Conservative group flagged that small (micro) business directors take their remuneration through a level of dividends and/or an annual salary payment and have not been able to claim any help under the current national schemes. It was recommended that the Discretionary Grant Scheme should be extended to include support for micro businesses whose income came from their skills and time. Such people would include mobile hairdressers, mobile chiropodists, garden designers, in fact anyone working from their home in Herefordshire that runs their own service based company who has been unable to work because of the lock down.

Response: It is recognised that unfortunately a number of businesses have been unable to access the nationally available support, such as some of the micro businesses that that have been helpfully flagged. However, the level of available funding for the Discretionary Grant scheme means it will not be possible to meet all of the gaps. Therefore in the first instance the Discretionary Grant Scheme will target the priority areas identified by government. Should funding remain following the first application round, we would look to extend the scope of the grant scheme to support other businesses such as those proposed above.

- Herefordshire Independents commented that they fully support the proposed scheme.

Appendices

Annex A: Government Discretionary Grant Fund Guidance

Annex B: Herefordshire Scheme Guidance

Annex C: Application Form (to be web based)

Annex D: Appraisal Form

Background papers

