

Committee Name and Date of Committee Meeting

Cabinet – 15 June 2020

Report Title

Covid-19 Discretionary Business Grants Scheme

Is this a Key Decision and has it been included on the Forward Plan?

Yes

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director of Finance and Customer Services

Report Author(s)

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Ward(s) Affected

Borough-Wide

Report Summary

On 1st May 2020 the government announced a new discretionary grant fund scheme that would aim to provide grant support to those businesses affected by Covid-19 who did not receive any support under the first tranche of business grants. The proposed scheme gives local authorities a degree of discretion to design their own scheme, however, it does indicate the business types that government intend the funding to be used to support. This report sets out proposals for how the Discretionary Grant Fund will be utilised by the Council, the businesses the Council aims to support, eligibility and exclusions and the application process.

Recommendations

1. That Cabinet approve the operation of the Discretionary Grant Fund as set out within the report.
2. That Cabinet note the application process and timeframe for applications to be made.
3. That Cabinet delegate to the Strategic Director Finance and Customer Services the application of any surplus grant to top up the grant values paid to eligible small businesses.

List of Appendices Included

Appendix 1 Indicative view of grant applicant numbers and payments

Appendix 2 Initial Equalities Screening

Background Papers

Discretionary Grant Fund – Government Guidance.

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

No

Covid-19 Discretionary Business Grants Scheme

1. Background

1.1 On 1st May 2020 the government announced a new discretionary grant fund scheme that would aim to provide grant support to those businesses affected by Covid-19 who did not receive any support under the first tranche of business grants. The proposed scheme gives local authorities a degree of discretion to design their own scheme, however, it does indicate the business types that government intend the funding to be used to support. Predominantly the grant is aimed at businesses who do not pay business rates but have high fixed property related costs and have suffered significant financial losses due to Covid-19.

1.2 These grants are primarily and predominantly 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;
- 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;
- Businesses which occupy property, or part of a property, with a rateable value or annual rent or annual mortgage payments below £51,000.

1.3 In the guidance government take this further asking that the following businesses are given priority:

- Small businesses in shared offices or other flexible workspaces. Examples could include units in industrial parks, science parks and incubators which 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.

1.4 Local authorities should set out the scope of their discretionary grant scheme on their website, providing clear guidance on which types of business are being prioritised, as well as the rationale for the level of grant to be provided (either £25,000, £10,000 or amounts less than £10,000).

2. Key Issues

2.1 Through their guidance and discussions with key BEIS (Department for Business, Energy & Industrial Strategy) contacts, government have indicated that given the need for Councils to both set up a discretionary

scheme and also to gain the necessary internal approvals, payments are not expected to commence before early June. However, it would be beneficial to have the scheme and application process developed as soon as possible.

2.2 The major challenges for the Council are in defining a scheme that provides the necessary support to the businesses in need, whilst managing the risk of over committing the resources given the Council will have a specific fund for this grant provision. The Council does not have a ready-made list of businesses that need to be supported in Rotherham and therefore the scheme has been developed using a degree of estimation and by modelling the number of different categories of businesses expected to come forward.

2.3 The grant available for the discretionary fund is based on 5% of the total grant available to the Council for the original business support grant scheme, based on the Council's eligible businesses as at 4th May. The value for Rotherham was confirmed on 20th May at the amount of £2.479m as per below calculation.

Scheme	Eligible Units	Grant	Total Grant Payable
SBBR GRANT	3678	10,000.00	36,780,000.00
RETAIL: Rateable Value up to and including £15k	305	10,000.00	3,050,000.00
RETAIL: Rateable Value greater than 15k and less than £51k	390	25,000.00	9,750,000.00
			49,580,000.00
Discretionary Fund		5%	2,479,000.00

The Council's grant allocation is a fixed amount and will not be increased if the Council's scheme is oversubscribed. Therefore, should the estimates of eligible businesses applying be too low, there will be a shortfall in the grant and the Council will need to fund that shortfall itself. It is therefore proposed to introduce a cut-off date for applications that is one calendar month from the date of publication of this report alongside the launch of the application process.

2.4 In order to minimise the financial risk, the scheme has been developed on the basis of paying an initial grant amount which may leave a remaining grant balance. Any balance can then be considered once all applications have been processed, with the balance used to make the payment of a top up grant at a later date. It is proposed that the application of any top up is delegated to the Strategic Director Finance and Customer Services which will enable payments to be made quickly following closure of the scheme.

2.5 Scheme Payments & Criteria

2.6 Following internal discussions across key Council teams and through assessing the schemes being developed across neighbouring and other local authorities, the following scheme is proposed:

- All businesses in shared accommodation will be paid a minimum grant ranging from £1,000 to £3,000 depending on their level of fixed costs and financial losses.
- All eligible B&B's will be paid a grant of £1,000 to support their fixed costs and financial losses.
- All Charity properties in receipt of charitable business rates relief which would otherwise have been eligible for Small Business Rates Relief or Rural Rate Relief, to receive a grant of £10,000.
- Private Childcare Nurseries with a rateable value up to and including £15,000, will be paid £10,000.
- Private Childcare Nurseries with a rateable value of greater than £15,000 and less than £51,000, will be paid £25,000.
- Regular Market Traders to receive a grant of up to £1,300 for those with significant fixed rental costs.

The aim of this discretionary scheme is to provide financial support to a large number of small local businesses that are suffering an adverse financial impact from the Covid-19 pandemic and that are not eligible for the previous government grant schemes.

Appendix 1 provides an indication of how the grant of £2.47m may be applied based on the volume of businesses expected to apply and more detail on how the criteria will be applied.

2.7 All businesses will need to provide proof of their fixed costs (rental agreements/bills) and evidence of loss of earnings that have resulted from Covid-19.

2.8 A number of Councils have now launched their schemes and at a local level most local authorities are taking a similar approach in terms of the type of businesses they are looking to support, values and timeframes for their application process. There are differences but these predominantly reflect the differing economies for each area.

2.9 Application Process and Communications

2.10 The Council has built an online application process to allow businesses to submit their applications to demonstrate how they meet the scheme criteria. The Council has built on the existing business support grant application process which has worked well in order to speed up the creation of the form. Questions around fixed costs, financial losses and category of business have been added in order to make the form as efficient as possible. The Council has also included the helpful state aid declaration form that the government have provided within the guidance.

2.11 Application Window

The application form was loaded onto the Council's website on the date of publication of this report (5th June) and applications will close at midnight on 5th July. The website explains the scheme and who it targets in order to manage the expectations of businesses coming forward who are not eligible. A note has been added to explain that this is subject to a decision of Cabinet on 15th June but will be removed if the scheme is approved.

2.12 The clear start and end date has multiple benefits; it allows the Council to quickly get to a point where the total number of applicants is known and with that the total value of potential payments. It can then assess if there are surplus funds to top up grant payments to eligible small businesses.

This option has the added benefit of ensuring that claims do not drag on for many months, which becomes very draining on Council services. The Council still has new applicants coming forward for the business support grant scheme almost two months after it launched and resources had to be diverted from other service areas in order to manage the various grants and reliefs process introduced as a result of Covid-19. Including an end date is an approach that a number of councils are taking.

2.13 It is vital that the Council ensure communications about the presence of the scheme and how to apply is far reaching. Social media and press releases helped with the business support scheme but it did not catch all businesses.

2.14 Exclusions

This grant funding is for businesses that are not eligible for other support schemes. Businesses which have received cash grants from any central government Covid-19 related 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

The discretionary grant fund is targeted to those businesses with significant fixed costs due to holding a business premise, therefore, the Council scheme will also exclude businesses run from an applicant's home.

Storage facilities will not be supported by this grant scheme. Only businesses which were trading on 11 March 2020 are eligible for this scheme. Companies that are in administration, are insolvent or where a striking-off notice has been made are not eligible for funding under this scheme. Businesses who have applied for the Coronavirus Job Retention Scheme are eligible to apply for this scheme.

2.15 Appeals process

Consideration has been given to whether there should be an appeals process. Whilst it may seem administratively beneficial not to have one and to specify that the Council's initial decision is final, it is not felt to be appropriate given the discretionary nature of this scheme which may lead to more judgement having to be applied in terms of accepting evidence of eligibility.

2.16 It is therefore proposed that a review process be introduced allowing a business to request an internal review of the initial decision. This is the process conducted under FOI procedures and works very well and would enable an application to be reviewed by a different and more senior officer to the original decision maker.

3. **Options considered and recommended proposal**

3.1 This report recommends:

1. That Cabinet approve the operation of the Discretionary Grant Fund as set out within the report.
2. That Cabinet note the application process and timeframe for applications to be made.
3. That Cabinet delegate to the Strategic Director Finance and Customer Services the application of any surplus grant to top up the grant values paid to eligible small businesses.

3.2 There are other options that the Council can consider in that it can effectively tailor the scheme. However, it is felt that the proposed approach that has been outlined has the best fit to maximise support for a large number of local businesses whilst mitigating against the risk of overcommitting the Council.

4. **Consultation on proposal**

4.1 Officers have consulted key internal teams that hold information on the impact businesses have seen as a result of Covid-19, to ensure that the proposals Cabinet are asked to approve are robust and appropriate for the needs of Rotherham businesses.

5. **Timetable and Accountability for Implementing this Decision**

5.1 The scheme will go live on the 5th June with regular progress updates provided to the Strategic Director of Finance and Customer Services, Cabinet Member for Finance and Corporate Services, Cabinet Member for Jobs and the Local Economy, the Leader of the Council and the Chief Executive. Detailed progress reporting will also be presented to government via its system DELTA. A formal update will be provided to Cabinet in July.

6. Financial and Procurement Advice and Implications

- 6.1 The Council has been allocated £2.47m to use for its discretionary grant fund scheme. The scheme has been scoped out with a view to mitigating the risk that the Council could over commit to grant payments, should more businesses come forward for the grant than the Council anticipates. The main route to mitigating this impact is by the Council paying businesses in shared spaces a smaller initial allocation that will be topped up should applicant numbers end up being lower than anticipated leaving a surplus of grant. This surplus will then be used to top up grant payments to those businesses or to expand the scheme.
- 6.2 The Council will not be provided with additional grant should the number of applicants coming forward exceed the Council's projections. Therefore, if that happens and the Council pays out the grant as initially indicated it will have to cover any costs over and above its grant allocation.
- 6.3 There are no direct procurement implications arising from the recommendations detailed in this report.

7. Legal Advice and Implications

- 7.1 Officers may consider whether grant conditions are necessary in relation to this scheme. Such conditions ought to be fairly light touch, given the small amounts of the grants. Legal services can prepare necessary grant conditions should this be required.
- 7.2 Regarding state aid, under the European Commission's COVID-19 Framework, each business may receive up to €800,000 in grants or other aid without being in breach of state aid rules.
- 7.3 It seems from this report that the grants from the Council itself to each recipient will be comfortably below this limit. However, for each grant recipient, the Council's grant must be aggregated to any other public sector support (e.g. other grants) which the grant recipient is receiving from all other public bodies (e.g. from central government, other local authorities if operating there).
- 7.4 As the report notes earlier, the businesses eligible for this grant are too small to have significant grants from other public bodies. However, the Council should comply with the requirements indicated in the BEIS guidance regarding state aid declarations.

8. Human Resources Advice and Implications

- 8.1 No direct implications.

9. Implications for Children and Young People and Vulnerable Adults

- 9.1 The proposed scheme aims to support private nurseries who will have suffered financially due to the COVID-19 lockdown.

10. **Equalities and Human Rights Advice and Implications**

10.1 The discretionary scheme will support some businesses that are run by people with protected characteristics, that were inadvertently prohibited from applying for the government's original business support grant scheme.

11. **Implications for Ward Priorities**

11.1 No direct implications.

12. **Implications for Partners**

12.1 No direct implications.

13. **Risks and Mitigation**

13.1. There are three significant risks that the Council will face with the implementation of the discretionary grant fund;

1. Applicants exceeding the grant available
2. Fraudulent applications
3. Complaints from businesses that are rejected

The Council can mitigate against these risks in the following ways;

1. Set a scheme that allows lower grant to be paid out initially with top ups should applicant numbers allow.
2. Ensure that banking details are independently verified ahead of payments being made.
3. The Council is clear at the outset the businesses that it intends to support along with the information it will require as evidence of Covid-19 impact.

14. **Accountable Officers**

Rob Mahon, Head of Corporate Finance

Approvals obtained on behalf of Statutory Officers:-

	Named Officer	Date
Chief Executive	Sharon Kemp	05/06/20
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	05/06/20
Head of Legal Services (Monitoring Officer)	Bal Nahal	05/06/20

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