

Report To: Cabinet

Date of Meeting: 8 June 2020

Report Title: Discretionary Business Grant Scheme Policy

Report By: Peter Grace
Assistant Director – Financial Services and Revenues
(Chief Finance Officer)

Key Decision: Yes

Classification: Open

Purpose of Report

To agree a Policy for the distribution of the government funding (£1,153,000) in respect of a Discretionary Small Business Grant Scheme. This is primarily aimed at assisting businesses with property related costs which have not been eligible for the government's Small Business Grant or Retail, Hospitality and Leisure Grant.

Recommendation(s)

- 1. The Council's Managing Director in consultation with the Leader of the Council, the Deputy Leader, and the lead member for Financial Management and Estates approve the Hastings Discretionary Business Grants Policy on behalf of the Council's Cabinet under Emergency Powers (part 4 of the Council's constitution rule 26.22).**
- 2. The Chief Finance Officer is authorised to make technical amendments and adjustments to the scheme in consultation with the lead member for Financial Management and Estates to ensure available funding is distributed, and that it meets the criteria set by the Council and remains in line with Central Government guidance.**

Reasons for Recommendations

1. The Council needs to agree a Discretionary Grant scheme as a matter of urgency to support businesses within the Borough.
2. Developing a scheme which has limited levels of funding that can not be exceeded, requires a degree of delegated authority to make technical amendments and adjustments to the scheme if grants are to be awarded quickly and to those which meet the eligibility criteria.

Introduction

1. The government announced on Friday 1 May 2020 that they would be making additional money available to local authorities to support businesses. The government have provided a general overview of the scheme which can be found on their website.
2. These grants are predominately 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 mortgage payments below £51,000.
3. The Council only has a limited amount of funding available from the government for this scheme (£1,153,000). Given the funding pressures that the Council itself is currently facing it is unable to add to this level of resources.
4. The discretionary scheme is aimed at supporting some of the small businesses who were not eligible for the Small Business Grant Fund or the Retail, Leisure and Hospitality Fund. It will prioritise small and micro businesses with fixed property-related costs which can demonstrate that they have suffered a significant fall in income due to the COVID-19 crisis.
5. Local Authorities have been asked by government to prioritise the following;
 - **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**
6. The council has been working with other local councils within East Sussex to establish the exact criteria for which businesses will be eligible.
7. Who will not be eligible?

Businesses which have received or are eligible for cash grants from any other central government COVID-19 related scheme will not be eligible for this 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
8. Businesses who have applied for the Coronavirus Job Retention Scheme will be eligible to apply for this scheme.
 9. Businesses who are eligible for the Self-Employed Income Support Scheme (SEISS) will also be eligible to apply for this scheme.
 10. Only businesses which were **actively trading** on the 11 March 2020 will be eligible and companies that are in administration, are insolvent or where a striking-off notice has been made will not be eligible. Likewise, for example, businesses recently acquired and being refurbished are not eligible – as per government advice.
 11. The Council has enabled businesses to register an expression of interest on line for this funding based on the guidance government has provided to date. This does provide the Council with a readily contactable list of business who may be eligible. The information and numbers registering an interest have helped in developing the scheme and determining the level and number of grants that it may be possible to provide – assessed as potentially up to 300.
 12. There are a number of methods by which this grant could be distributed. It could be on a “first come first served basis”, an application window, an application by business type, tranches of funding, etc. Given the limited amounts of funding available and the necessity of distributing it as rapidly as possible to businesses in most need the preferred basis is by means of a two week application window. This does mean that the Council may not be shown as distributing any grants in the first few weeks of June but should have distributed the majority of the grants by the end of the month.

Funding

13. The government have allowed 5% of the estimated amount available to fund the Small Business Grant and the Retail, Hospitality and Leisure Grant. This amounts to £1,153,000 (5% of £23,060,000 i.e. the Council’s assessed amount as at 3 May 2020).

Eligibility

14. The eligibility criteria are mainly set by the government i.e. Department for Business, Energy and Industrial Strategy (BEIS). However, there are two areas which need a ‘local’ interpretation namely:
 - Businesses must have relatively high ongoing fixed building-related costs.
 - Businesses must demonstrate that they have suffered a significant fall in income due to the COVID-19 crisis.

The final determination of these levels above which those applying will be eligible will be determined once all the applications are received in order to be able to assist those most in need.

Applications and Information

15. The Council's website has been open for expressions of interest and as of 2 June there were some 157 expressions of interest. This has enabled the Council to capture contact details and has helped in the potential design of the scheme and level of payments that can be afforded with the limited funding available.
16. Should the cabinet agree with the recommendations in this report the website will include a portal which will allow businesses to apply on-line. The application portal will be open for a period of two weeks – a balance between allowing sufficient time to apply for the scheme and provide necessary supporting documentation and the necessity to make payments as rapidly as possible in these challenging times. Once the application period is closed, all awards will be considered against the criteria laid down within the scheme – as soon as is practical. As businesses apply checks will be undertaken to verify the details supplied.

How Much Grant

17. BEIS states that the grants can be £25k, £10k or less than £10K (nothing between £25k and £10k). This is a difficult area to determine as the level of grant needs to be sufficient to help a business over the most challenging period, it does not need to exceed the net losses that a business will incur, and it needs to help as many businesses that it can.
18. The recommendation is that grants consist of £25k (in exceptional circumstances), £10k and thereafter £7,500, £5,000 and £2,500. The level of grant awarded being depend upon the level of fixed costs being incurred by a business against its turnover with a minimum level of property related costs being incurred in order to qualify for the basic level of grant. This would then be scaled up depending upon the number of employees within the business.
19. Depending upon the level of applications and the amount left in the grant fund, the Council would reserve the right to provide other application periods if appropriate and/or to make technical and other adjustments (including changes to the minimum property costs upon which qualification would be based, and adjustments to the respective grant amounts e.g. £3,000 instead of £2,500 should resources allow) in order to ensure that the grant funding is fully distributed (£1,153,000 is not divisible by grants of £2,500).
20. A small element of the funding may not be awarded initially in order to meet the costs of any successful appeals. Any remaining funding thereafter will be distributed to businesses which just failed to meet the criteria or by means of an additional top-up.
21. The Council does not expect to make any awards prior to the close of the two week application period but will reserve the right to do so if there are exceptional circumstances and only if all the required checks have been completed.

Delegation

22. It is recommended that the Chief Finance Officer in consultation with the member for Financial Management and Estates be given delegated authority to make technical and other changes to the scheme to stay within the agreed criteria, government guidelines and funding levels.

Review and Appeals

23. It is the intention that the scheme be designed to remove individual judgement calls as far as possible. However, where a business does seek a review or appeal a two-stage process is recommended mirroring the Council's complaint system. The Council's Revenues and Benefits Manager will be responsible for conducting a review in the first instance.
24. All such requests must be made in writing to the Council, within 14 days of the Council's decision, and should state the reasons why the applicant is aggrieved with the decision of the Council. New information may be submitted at this stage to support the applicant's appeal.
25. A second stage would consist of a review by the Council's Chief Finance Officer and either the Lead Councillor for Financial Management and Estates or the Leader of the Council.

State Aid

26. Any Discretionary Business Grant is given as state aid under either the de minimus rules or the temporary Framework for State Aid – as published on 19 March 2020. This means businesses receiving support under these provisions can receive up to €200,000 or €800,000 respectively in aid over three years (being the current and previous two years).
27. Any grant awarded is required to comply with the EU law on state aid. This will involve the applicant declaring to the Council if they have received any other de minimis State aid or aid provided under the EU Commission Covid-19 Temporary Framework.

Other Grant Conditions and Responsibilities of the Grant Recipient

28. The Council has been advised that all grants are taxable. Applicants will need to make their own enquiries to establish any taxable position or liability.

Government Reporting

29. The Council will be required to report to the government the level of grants distributed on a weekly basis. Given that not all local authorities are expected to choose an application window methodology the Council will not appear at the top of the government's performance league table.

Risk Management - Managing the Risk of Fraud and the Protection of Public Funds

30. Any applicant caught falsifying information to gain grant money or failing to declare entitlement to any specified grants will face prosecution and any funding issued will be recovered from them. The Council will use a number of tools, such as credit reference agencies and the government's Spotlight software.

Economic/Financial Implications

31. The grants are fully funded by the government. It is not known whether or to what levels new burdens funding will be forthcoming to cover the costs of developing and operating this scheme.

Local People's views

32. In the short time available the views of local business organisations and Councillors were sought, and these are included in the attached documents. These also include the views of some other organisations and individuals that have also submitted comments that may have individual vested interests in the outcome of the scheme's construction.
33. There are a number of comments and observations that are particularly useful and constructive and have led to the tailoring of the scheme. There are some recommendations that have not been taken on board as the companies concerned may be national chains that would likely be excluded due to EU state Aid rules or may be negotiating with landlords on a national basis.

Organisational Consequences

34. A working group has been set up within the Council to develop the scheme. This has comprised officers from, Revenues and Benefits, Transformation, IT, Regeneration, Communications, Accountancy, and Audit.
35. This is putting additional pressures on resources and inevitably other areas of work are impacted – with consequent backlogs.
36. The online application form, and details of the supporting evidence required, is being developed by the Energy Development and Delivery Project Manager and can be available on the website in the week commencing 8 June 2020.

Timetable of Next Steps

Action	Key milestone	Due date (provisional)	Responsible
Gain Approval under Emergency Powers	9 June 2020		Chief Finance Officer
Application Window opens	Open Application Window/ Communications/ Emails to those who have made expressions of interest	9 am on 10 June 2020	Communications/ IT/ Transformation Team
Application Window Closes	Application window Closes/	9 am on 24 June 2020	Communications/ IT/ Transformation Team
Modelling and Assessment	Assessments of applications	10 June – 30 June 2020 and potentially beyond	Revenues and Benefits Manager/ Chief Finance Officer/ Transformation Team/ Regeneration
Assessment of Applications and Payment of grants	Payment of Awards	30 June 2020	Revenues and Benefits Manager Chief Finance Officer/ Transformation Team/ Regeneration/ Accountancy

Wards Affected

All

Policy Implications

Equalities and Community Cohesiveness **No**

Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues & Climate Change	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	Yes
Local People's Views	Yes
Anti-Poverty	No
Legal	No

Additional Information

Documents Attached:

- (i) Hastings Discretionary Business Grants Policy
- (ii) Feedback from Local Consultations
- (iii) Worked Example of Assessment (final criteria and thresholds yet to be determined)

Officer to Contact

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