

## Report to Cabinet

4 June 2020

By the Leader

**DECISION REQUIRED**



Not Exempt

### COVID-19 Discretionary Grants Fund Scheme

#### Executive Summary

On 1 May the Government announced that it would provide Local Authorities with additional funding to target small businesses with high fixed property-related costs not eligible for the current grant schemes. Government issued guidance for the scheme on 14 May. Government gave Horsham District another £513,000 for the scheme in addition to the money it has left from the money it received for Small Business, Retail, Hospitality and Leisure Grants, which the Government expects to be £917,000. This report asks Cabinet to approve Horsham District Council's Discretionary Grants Fund Scheme to enable applications for the scheme to begin on 5 June 2020 and payment of the £1.43m fund to be made by 30 June.

#### Recommendations

Cabinet is recommended:

- i) To approve the Horsham District Council Discretionary Grants Fund Scheme attached at appendix A.

#### Reasons for Recommendations

The Cabinet needs to approve a Discretionary Grants Fund Scheme to enable distribution of money given by the Government to support small businesses in Horsham District affected by the COVID-19 lock down, and not helped under any other scheme.

#### Background Papers

Grant Funding Schemes Local Authority Discretionary Grants Fund – guidance for local authorities V2 (May 2020)

West Sussex Councils' Guidelines – Discretionary Top-Up Grants

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## **Background Information**

### **1. Introduction and Background**

- 1.1. On 1 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 set up to offset the impact of the COVID-19 lockdown. Guidance for the scheme was issued on 14 May. The extension of the scheme followed lobbying from Local Authorities and businesses that had missed out on the Small Business, Retail, Leisure and Hospitality Grants scheme.
- 1.2. In its guidance, issued on 14 May, the Government asked Councils to prioritise the following types of businesses in our scheme:
  - small businesses in shared offices or other flexible workspaces (e.g. units in industrial parks, science parks and incubators with no 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.
- 1.3. Government said this money would be an uplift of 5% uplift to the £12.33 billion previously announced for the Small Business Grants Fund and the Retail, Hospitality and Leisure Grants Fund. On 20 May the Government told Horsham District Council its share of the fund would be £513,000 topping up the unspent funds which the Government expects to be £917,000 from the £29.5m already received. This gives the Council a fund of £1.43m to spend on this new scheme.
- 1.4. West Sussex Chief Executives asked their Chief Finance Officers to ensure the local schemes in West Sussex covered the same criteria. The joint guidance was issued by Mid Sussex following consultation with the countywide Economic Development Officers.

### **2. Relevant Council policy**

- 2.1. A key theme of the Corporate Plan is “A thriving economy.” While the COVID-19 lockdown has severely limited the economic activity in the District issuing these grants swiftly and appropriately will assist with its recovery.

#### **2.2. Details**

- 2.2.1. Appendix 1 contains the Council’s scheme for discretionary grants based on the criteria in the Government’s guidance:
  - 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 in Horsham District, 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.

2.2.2. The scheme also includes the criteria the Government wanted included as well as those we need to address locally:

- businesses who missed out on the original grant scheme through a legitimate issue with their VOA status on 11 March;
- leisure, retail and hospitality businesses and those in the supply chain not eligible in other schemes; and
- Cultural and creative businesses not eligible in other schemes.

2.2.3. Payments will be made between £2,000 and £10,000 depending on the size of business and the extent to which each business has been impacted by Covid-19.

### **2.3. Next Steps**

2.3.1. If the Discretionary Grants Fund Scheme is approved on 4 June the application process will go live on 5 June by way of an online application. The Council will close the applications on 16 June to allow time to evaluate the merits of all applications rather than operate on a first come first serve basis.

2.3.2. Between 17 and 22 June officers will process the applications and an officer led panel will decide who receives a grant and for how much. We will make payment in the week beginning 22 June.

### **2.4. Views of the Finance & Assets Policy Development Advisory Groups and Outcome of Consultations**

2.4.1. This Discretionary Grants Fund Scheme has not been considered by the Finance and Assets Policy Development Advisory Group because Government guidance was not received until 14 May, after the Group had met for the June Cabinet. Overview and Scrutiny were informed of this report going to Cabinet under the General Exemption because it was not included on the forward plan. Overview and Scrutiny will have the opportunity to consider the Discretionary Grants Fund Scheme at its meeting on 1 June. Any views from Overview and Scrutiny will be considered by Cabinet at its meeting.

2.4.2. The Monitoring Officer and the Director of Corporate Resources have reviewed the report. The Monitoring Officer gave guidance on how to obtain this key decision without time to include it on the forward plan.

### **2.5. Other Courses of Action Considered but Rejected**

2.5.1. Not setting a local scheme is not an option because the grants cannot be issued without one, further damaging the local economy. However, various priorities within the scheme have been discussed with the Leader and Cabinet Lead for the Local Economy and Parking.

## **2.6. Resource Consequences**

- 2.6.1. There should be no financial consequences for the Council from the Discretionary Grants Fund Scheme. However the overlap of the funding between the small businesses, retail, hospitality and leisure grants and these grants carries a risk of loss to the Council if late applications on the former fund mean the Council runs out of money for grants agreed under this policy and the Government does not reimburse the Council. The Council is likely to incur further unbudgeted costs for work by LGSS Revenues and Benefits and Internal Audit in relation to the work in implementing the policy. These costs were reported to Council on 30 April.

## **2.7. Legal Consequences**

- 2.7.1. If approved by Cabinet the recommendation will enable the Council to carry out the provisions of this policy in accordance with its legal powers and obligations and in accordance with local government legislation including that which is applicable to the Covid19 pandemic legislation.

## **2.8. Risk Assessment**

- 2.8.1. The application of the Discretionary Grants Fund Scheme carries a risk of negative publicity from businesses who receive no funding or insufficient funding for their needs. The Council has focussed the policy on Government guidance to mitigate this.
- 2.8.2. Failure to apply the Discretionary Grants Fund Scheme quickly carries a high risk of censure from the Government. Based on the earlier tranche of grants the Government will publish league tables and is likely to call the Council to ask for explanations if grants are not issued promptly. As with the earlier grants the Council will use LGSS and Council employed staff to process as quickly as it is safe to do so.
- 2.8.3. The application process carries a high risk of fraud, especially given the timescale involved in its implementation. The Government will not reimburse the Council for fraudulent claims approved. As with earlier grants the Council will use LGSS Internal Audit to carry out pre-payment checks to reduce this fraud risk.

## **2.9. Other Considerations**

- 2.10. The Discretionary Grants Fund Scheme does not prioritise businesses for their green or equalities credentials because this would make a complicated scheme even slower to administer and is not a requirement in the Government guidance. There is a small risk the frustrations that will arise from the application of this scheme could lead to disorder from disappointed applicants.

## Appendix 1

### Horsham District Council COVID-19 Discretionary Grant Fund Scheme

#### Priority Businesses

In accordance with Government guidelines the following types of businesses will be prioritised for grants:

- 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 in Horsham district, 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.

#### Secondary Priority Group

Subject to any remaining monies following expenditure on the Government's priorities, a secondary priority group will also be considered. The following are local priorities that have been identified:

- Businesses who missed out on the original grant scheme through a legitimate issue with their VOA status on 11 March;
- Leisure, retail and hospitality businesses and those in the supply chain not eligible in other schemes; and
- Cultural and creative businesses not eligible in other schemes.

#### Eligibility

In accordance with Government guidelines, the criteria for eligibility are as follows:

- Businesses with ongoing fixed building-related costs
- Businesses which can demonstrate that they have suffered a significant fall in income due to the Covid-19 crisis
- Small Businesses as defined by the Company Act 2006
- Businesses which occupy property, or part of a property, with a rateable value or annual rent or annual mortgage payments below £51,000
- Businesses that were trading on 11 March 2020.

Small Businesses must satisfy two or more of the following requirements in a year:

- Turnover: Not more than £10.2 million
- Balance sheet total: Not more than £5.1 million
- Number of employees: a headcount of staff of less than 50

If businesses have applied for the Furlough Scheme (Coronavirus Job Retention Scheme) they are still eligible to apply to this scheme.

If businesses have applied for the Self Employment Income Support Scheme they are eligible to apply for this scheme.

Businesses that occupy more than one property will only be eligible for one grant payment under this scheme.

### Evidence

In applying for the discretionary grant businesses will need to provide evidence of the financial impact and demonstrate fixed building-related costs. Businesses will need to provide the following evidence when requested on the online form:

Evidence to demonstrate the financial impact of Covid-19 on their business:

- 4 months of bank statements (January – April 2020)
- Profit and loss account, balance sheet and cash flow statement
- Evidence of payroll (if applicable)
- Statement of accounts (if applicable)
- Management accounts (if applicable)
- Statement from the business' accountant (if applicable)
- Order books and evidence of cancellations (if applicable)

Evidence to demonstrate fixed building-related costs:

- Rental, lease or mortgage statement
- Utility bills
- Insurance certificate
- Any evidence to support your other fixed building-related costs

### Companies House – ‘Spotlight Check’

If a business is a Limited Company, Charity or Limited Liability Partnership, a Government “Spotlight” check will be carried out to verify with Companies House that they have properly filed their Accounts, that their Confirmation Statement is up to date and that there are no outstanding Winding Up Orders or First Gazette Notices. An application will only proceed if the Company passes the “Spotlight” check.

### Grant Value

Grants are expected to be issued for amounts between £2,000 and £10,000. Horsham District Council will be restricting grants to this level in order to help as many businesses as possible. Situations of exceptional hardship will however be considered. Horsham District Council will allocate grants according to how many eligible applications are received and the extent to which each business has been impacted by Covid-19.

### Ineligible

In accordance with Government guidelines businesses which have received cash grants from any central Government Covid-19 related scheme are ineligible for funding from the Discretionary Grants Fund.

This includes but is 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

Companies that are in administration, are insolvent or where a striking-off notice has been made are not eligible for funding under this scheme.

Other exclusions from the scheme are:

- Businesses who have received a grant under the LADG scheme from another local authority
- Businesses operating as Bed and Breakfast that are not registered as a food business with the Council; Airbnb's that do not serve breakfast and not registered with the Council as a food business are specifically excluded from this scheme.

The Council reserves the right to vary the terms of the scheme at any time, and without notice, should it be necessary to do so.

### State Aid

It is necessary for businesses applying to confirm compliance with State Aid rules, as the UK remains within the transition period, and the Council must be satisfied that State Aid requirements have been fully met and complied with when making grant payments. Government guidance provides further detail regarding State Aid provisions.

### Tax

The grant income received by a business is taxable therefore funding paid under this funding scheme will be subject to tax. Guidance clarifies that only businesses which make an overall profit once grant income is included will be subject to tax.

### Application Process

Applications can only be submitted using an online application form, that will go live on 5 June 2020 and must be received by 16 June 2020.

Any applications outside this period will only be considered in exceptional circumstances.

Supporting information must be provided as part of the application process.

Payments are expected to commence from the week beginning Monday 22 June 2020.

Unsuccessful applicants will be notified in writing.