

Name of meeting: Cabinet
Date: 26th May 2020
Title of report: COVID-19 Local Authority Discretionary Grants Fund

Purpose of report:

This report seeks approval for the Council to establish a Local Authority Discretionary Grants Fund for Kirklees. The grant scheme will provide support for certain types of small and micro businesses that have been affected by the Coronavirus but that are ineligible for the Government's Small Business Grant Fund and Retail Hospitality and Leisure Grant Fund.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Yes The Chair of Overview and Scrutiny Management Committee has agreed to the addition of this item to the Agenda for Cabinet having not been previously included on the Forward Plan
Key Decision - Is it in the <u>Council's Forward Plan</u> (key decisions and private reports)?	Key Decision - No Private Report/Private Appendix - No
The Decision - Is it eligible for call in by Scrutiny?	No. The Chair of Overview and Scrutiny Management Committee has waived the right to call in due to the need for a decision to agree the Local Authority Discretionary Grants Fund and to make it available as soon as possible
Date signed off by <u>Strategic Director</u> & name Is it also signed off by the Service Director for Finance? Is it also signed off by the Service Director for Legal Governance and Commissioning?	Karl Battersby – 20 May 2020 Eamonn Croston – 20 May 2020 Julie Muscroft – 20 May 2020
Cabinet member <u>portfolio</u>	Councillor Graham Turner – Portfolio Holder for Corporate Strategy and Asset Strategy

Electoral wards affected: All wards

Ward councillors consulted: Ward councillors have not been consulted as a result of the need to establish the scheme as soon as possible.

Public or private: Public.

Has GDPR been considered? Yes.

1. Summary

- 1.1 The Government has established an extensive programme of financial support for those businesses and self-employed people affected by the COVID-19 pandemic. This includes the Small Business Grant Fund and Retail, Hospitality and Leisure Grant Funds, administered by the Council, which have supported those eligible businesses and charities that pay business rates to the Council.
- 1.2 Some types of business were ineligible for the above schemes and the Government has launched the Local Authority Discretionary Grants Fund (LADGF) to help address some of the gaps in the existing support programme. £5.244m has been allocated for businesses in Kirklees. This report seeks Cabinet approval to establish the scheme, including the eligibility criteria for applicants and the grant amounts to be awarded.

2. Information required to take a decision

Background

- 2.1 The latest coronavirus (COVID-19) has resulted in the worst global health pandemic in almost one hundred years. The economic impact of the disease in the UK is expected to be very significant, with forecasts anticipating the worst economic shock since the Great Depression involving a major decline in Gross Domestic Product and a substantial increase in unemployment.
- 2.2 With partners, the Council is developing an Economic Recovery Plan that will set out a range of measures to support business resilience and growth, manage the impacts on our most vulnerable residents and promote inclusive growth. The plan will be presented to Cabinet for review and approval in summer 2020. The Council is also reviewing its wider expenditure plans to identify how it can further support the economic recovery.
- 2.3 The Government has established an extensive programme of financial support for those businesses and self-employed people affected by COVID-19. This includes the Small Business Grant Fund and Retail, Hospitality and Leisure Grant Funds, administered by the Council. These grants are available to businesses and charities who were registered for business rates on 11 March 2020, as follows:
 - under the Small Business Grant Fund (SBGF) all businesses in England in receipt of either Small Business Rates Relief (SBRR) or Rural Rates Relief (RRR) in the business rates system are eligible for a grant
 - businesses which on the 11 March 2020 had a rateable value of less than £51,000 and would have been eligible for a discount under the Expanded Retail Discount Scheme are eligible for the Retail, Hospitality and Leisure Grant scheme.
- 2.4 Both schemes are subject to detailed eligibility criteria which are set out here: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/881040/business_support_grants-local_authorities_guidance.pdf. As of Wednesday 20 May a total of £84.09m and 7,488 grant payments had been made, representing over 80% of the hereditaments in scope in Kirklees.

Local Authority Discretionary Grants Fund - overview

- 2.5 Some businesses and charities are ineligible for the existing grant schemes, particularly where they are not rated separately for business rates purposes and their landlord pays rates to the Council. Following lobbying by various business and voluntary sector organisations, the Government has launched the Local Authority Discretionary Grants Fund to help address some of the gaps in the existing support programme. The LADGF has a particular focus on helping eligible organisations to meet their ongoing property-related costs during the next few months.

- 2.6 The Government published guidance for local authorities on the operation of the scheme on 13 May 2020. This can be found at section 9 of the report. The guidance is clear that the Government is *“setting some national criteria for the funds but allowing local authorities to determine which cases to support within those criteria”*. It further notes that local authorities should prioritise the following types of businesses/charities for support through the LADGF:
- *“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.”*
- 2.7 Council officers have assembled information on the potential number of eligible organisations in each of these groups. As a result of the likely level of demand for support and the funding available to the Council (£5.244m) through the LADGF it is proposed that the Kirklees grant scheme is only opened to businesses and charities in the four groups prioritised by Government and set out in paragraph 2.6 above. In the event that some LADGF funding remains unallocated after the initial application period, the Council will consider widening the range of businesses and other organisations that can apply.
- 2.8 In addition, whilst the LADGF guidance notes that local authorities may disburse grants to the value of £25,000, £10,000 or any amount below £10,000 , in order to optimise the reach and impact of the grant scheme it is proposed that the maximum level of grant award is capped at £10,000. Only awards of £10,000 and below £10,000 will be made through the Kirklees scheme. The Council has worked with WYCA and the other West Yorkshire local authorities to ensure a consistent approach is applied, where possible, across the area.

Detailed eligibility criteria

- 2.9 The Government guidance further notes that the LADGF should be ‘primarily and predominantly aimed at’:
- small and micro-businesses (with less than 50 employees and an annual turnover of no more than £10.2m)
 - businesses with relatively high, ongoing fixed property-related costs
 - businesses that can demonstrate that they have suffered a significant fall in income due to the Covid-19 crisis
 - businesses that can demonstrate that they were trading on 11th March 2020
 - businesses which occupy property, or part of a property, with a rateable value or annual rent or annual mortgage payments below £51,000.
- 2.10 Organisations that do not comply with the criteria in paragraph 2.9 will not be eligible for support through the scheme. Government guidance further notes that
- companies that are in administration, are insolvent or where a striking-off notice has been made will not be eligible for support under the LADGF

- businesses that have received cash grants from any Government COVID-19 related grant schemes, including the Small Business/Retail Hospitality and Leisure Grants and the Self-employed Income Support Scheme; *however, organisations that have received support through the Coronavirus Job Retention Scheme (the ‘furlough’ scheme) are still eligible to apply.*

2.11 It is proposed that the following additional exclusions will apply to the scheme to ensure it is targeted at those businesses and charities that are in most need:

- businesses or charities that are part of national chains/franchises
- businesses/charities that hire desks/hot desks within co-working spaces and self-employed personal service workers (e.g. hairdressers/barbers) renting chairs within a salon
- market traders operating on the basis of ‘daily licenses’
- providers of private-rented housing or self-catering accommodation which do not provide a catered bed and breakfast service to their clients.

2.12 The grant scheme will be launched as soon as possible, subject to Cabinet approval. Detailed local guidance will be published and applications will be accepted via an online form available on the Council website. Applicants will be expected to provide information including:

- Companies House and/or Charity Commission registration
- HMRC/PAYE information
- Business rates account details, if appropriate
- signed lease/licence agreements
- bank statements and supplier invoices
- certified accounts
- management accounts
- other information that may be required to establish evidence of ongoing property costs and loss of income due to COVID-19.

Grant awards

2.13 Individual grant awards will not exceed £10,000 as set out in paragraph 2.8. Only one grant award will be made per eligible business, including linked or partner enterprises under the terms of the extant European Union definition. Grants will be awarded based on submitted evidence of actual property-related costs incurred by applicants to include rent, service charges, contribution to landlord rates and other property costs to be agreed. Grant awards will be made on the following basis for successful applicants in each of the priority groups identified by Government:

- small businesses in shared offices or other flexible workspaces which do not have their own business rates assessment; up to 6 month’s actual/forecast property costs, capped at £10,000 per applicant
- regular market traders with fixed building costs, that do not have their own business rates assessment; up to 6 month’s actual/forecast property costs, capped at £2,500 per applicant
- bed and breakfasts which pay council tax instead of business rates; up to 6 months actual/forecast property costs, capped at £3,000 per applicant
- charity properties in receipt of charitable business rates relief which would otherwise have been eligible for Small Business Rates Relief or Rural Rate Relief; up to 6 months actual/forecast property costs, capped at £10,000 per applicant.

Options

- 2.14 The Council could have determined not to establish a Local Authority Discretionary Grants Fund. This option would not be in the interests of those businesses and charities that have been unable to access grant support from the Government and is not recommended.
- 2.15 The Council could have chosen to make the LADGF open to a wider range of businesses or with eligibility criteria that are not in accordance with Government guidance. This would generate potential reputational risks for the Council as demand for the grant scheme would be substantially greater than the funding available from Government. Failure to comply with Government guidance would place the Council at risk of financial clawback in the event that the Council awarded funding to ineligible businesses, with related reputational risk.
- 2.16 The proposals will ensure that those businesses in the four priority areas identified by Government will gain access to financial support as soon as possible through a locally administered grant scheme. In the event that there are unallocated funds or additional resource is made available by Government, the Council will consider widening the range of organisations that can apply.

Costs

- 2.17 The Government has allocated £5,244,500 for the LADGF in Kirklees. This represents 5% of the funding allocated to the Council in early April to support the Small Business and Retail, Hospitality and Leisure Grant funds. The Council will utilise residual funding within the initial allocation from Government to fund the discretionary grant scheme and can apply for additional grant, up to the amount indicated above, in the event that there is insufficient residual funding is available.
- 2.18 Council officers will manage the scheme to ensure that only eligible businesses/charities apply and that appropriate evidence is provided by applicants. The operation of the scheme will be subject to regular review by the Council's Section 151 Officer.
- 2.19 The Council will undertake proportionate pre-payment checks to confirm eligibility in relation to the criteria set out in this report. The Council will also undertake appropriate pre-and post-payment checks to manage the risk of fraud. Any funding issued by the Council will be subject to clawback, alongside any grants paid in error.

Expected impact/outcome/benefits

- 2.20 The outcomes/benefits of the proposals will include reducing the financial impact on businesses of the lockdown and related impacts of COVID-19. It is acknowledged that there have been some gaps in the provision of financial support. Implementing this scheme will ensure that businesses in the priority groups identified by the Government can meet their ongoing property costs, strengthen their resilience and be well placed to support the economic recovery.

Risks

- 2.21 There are a number of risks associated with the scheme, including:
- applicants may seek grant support for ineligible activity
 - need/demand may strip the funding available
 - reputational risks for the Council in relation to the amount of support available or the activities eligible for grant funding.
- 2.22 These risks will be managed and mitigated through the operation of the grant scheme. Council Officers will put in place appropriate mechanisms, to ensure that only eligible activities are funded and suitable evidence of expenditure is provided. It is considered that the positive reputational benefits of providing access to financial support for the affected businesses and charities who are to be targeted by the scheme outweigh the negative reputational impacts of the proposals.

3. Implications for the Council

Working with people

- 3.1 The proposals will support the Council's efforts to work together with people and communities to find shared solutions. The Council has drawn on learning from the implementation of the various Government grant support schemes and this will inform delivery of the LADGF. The operation of the scheme will be kept under regular review in response to business feedback.

Working with Partners

- 3.2 The proposed package of support has been developed by the Government in response to feedback from business organisations and other groups. The Council will work with local partners including the Mid Yorkshire Chamber of Commerce and Industry and the Federation of Small Businesses in order to publicise the scheme and target eligible applicants.

Place Based Working

- 3.3 The scheme will support those businesses and charities that have been unable to secure grant support to date, including those in some of the area's most deprived communities. Ward Councillors will be fully engaged in the process to encourage eligible businesses and charities to apply for support.

Climate Change and Air Quality

- 3.4 The grant scheme will support those businesses/charities with ongoing property-related costs that have been most affected by COVID-19. There is some evidence to suggest that the changes in behaviour brought about by the lockdown have reversed the decline in air quality and improved emissions during this period. Whilst the implementation of the LADGF scheme is unlikely to have a significant impact on climate change, the Council will ensure that the climate emergency and opportunities for low carbon growth are central to the recovery planning process.

Other (legal/financial/human resources)

- 3.5 Financial matters are addressed in section 2 of the report.
- 3.6 The scheme will be operated in accordance with State Aid guidance. It is anticipated that most applicants will be awarded aid based on the De Minimis rules although it is possible that some awards will be granted under the UK COVID-19 Temporary Framework. The Council will write to all successful applicants advising them of the State Aid compliance route that has been applied and requiring them to certify their eligibility for aid as a condition of receipt of the grant.
- 3.7 The proposed grant scheme will be administered by existing Council Officers. No additional resources will be required to support implementation of the scheme.
- 3.8 An Integrated Impact Assessment (IIA) has not been undertaken for the proposals as a result of the short timeframe for implementing the scheme in response to COVID-19 pandemic. An IIA will be undertaken during the first three months of implementation.
- 3.9 The Council will be required to provide regular reports to BEIS on the implementation of the grant scheme. Reporting requirements will include
- Numbers of businesses provided £25,000 grants
 - Numbers of businesses provided £10,000 grants
 - Numbers of businesses provided less than £10,000 grants
 - Total funding paid out in relation to the discretionary grant scheme paying less than £10,000
 - Expected date of completion of all grant payments to businesses
 - Issues encountered in implementing the scheme to allow BEIS to support development of solutions with local authorities.

4. Consultees and their opinions

- 4.1 Engagement with stakeholders including BEIS, Mid Yorkshire Chamber of Commerce and Industry, Federation of Small Businesses and other groups will continue as the scheme is implemented and it will be shaped in response.

5. Next steps and timelines

- 5.1 Subject to approval, the Local Authority Discretionary Grants Fund will be launched as soon as practicable following the Cabinet meeting on 26 May. The Council will work with key local partners to publicise the scheme and target eligible applicants.
- 5.2 The Council will publish detailed scheme guidance and application forms on its website as soon as the scheme is launched. The Council will put in place a streamlined process to ensure the rapid turnaround of applications for support.
- 5.3 The Council will keep the operation of the scheme under review. The scheme will operate for a period of 4 weeks from the day of launch, after which no new applications will be considered.

6. Officer recommendations and reasons

1. Cabinet notes the content of this report and approves the establishment of the Local Authority Discretionary Grant Fund for Kirklees, including the eligibility criteria for applicants and the grant amounts to be awarded set out in section 2 of the report.
2. Cabinet delegates authority for implementation and monitoring of the Local Authority Discretionary Grant Fund scheme to the Strategic Director Economy and Infrastructure and the Service Director (Finance), including the authority to make minor changes to the scheme to ensure equity and achievement of the objectives noted above.
3. Cabinet delegates authority to the Strategic Director Economy and Infrastructure and the Service Director (Finance), in consultation with the Portfolio Holder for Corporate, to vary the eligibility criteria for the Local Authority Discretionary Grant Fund scheme in the event that there are residual funds available following a reasonable period for applications, and in accordance with extant Government guidance

Reasons

1. To enable Cabinet to approve the Local Authority Discretionary Grant Fund for Kirklees to extend financial support available to those businesses and charities that are ineligible for other Government COVID-19 grant programmes as soon as practicable.
2. To enable rapid and efficient implementation of the grant scheme in accordance with the scheme of delegations.
3. To enable the identification and implementation of additional measures, where required, to complement the approved grant scheme, in accordance with the scheme of delegations.

7. Cabinet Portfolio Holder's recommendations

The Cabinet Portfolio Holder supports the recommendations, which have been developed as a matter of urgency at the request of Cabinet in order to ensure local businesses and charities can access the grant programme as soon as practicable.

8. Contact officer

Chris Duffill, Head of Business and Skills chris.duffill@kirklees.gov.uk 01484 221000.

9. Background Papers and History of Decisions

Local Authority Discretionary Grants Fund guidance – 13 May

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/885011/local-authority-discretionary-grants-fund-guidance-local-government.pdf.

10. Service Director responsible

Angela Blake, Service Director Economy and Skills

Eamonn Croston, Service Director Finance.