


Appendix 1 – Local Authority Discretionary Grants Fund Cabinet Paper 15 June 2020

	Cabinet 15 June 2020
	Report from the Strategic Director of Regeneration and Environment
Local Authority Discretionary Grants Fund	

Wards Affected:	All
Key or Non-Key Decision:	Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	Four. A. Matrix of eligibility and evidence B. Proposed Ranking System C. Local Authority Discretionary Grants Fund Guidance D. Local Authority Discretionary Grants Fund Technical FAQs
Background Papers:	0
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1.0 Purpose of the Report

1.1 To outline the background and proposed approach for Brent’s Local Authority Discretionary Grants Scheme.

2.0 Recommendation(s)

2.1 That Cabinet approve the Local Authority Discretionary Grants Scheme for Brent as set out in this report, using the eligibility criteria specified in 4.2, 4.6, and 4.11 and agreeing a single tier grant payment of £5,000.

2.2 That Cabinet delegate to the Strategic Director of Regeneration and Environment the administration and award of grants under the Local Authority Discretionary Grants Scheme.

3.0 Background

- 3.1 The Local Authority Discretionary Grants Scheme was announced on 1 May 2020 to provide grants to certain small businesses who are outside of the scope of the original Covid-19 business grant schemes (including but not limited to the Small Business Grant Fund and the Retail, Hospitality & Leisure Grant scheme).
- 3.2 Detailed guidance was released on 13 May 2020 and Technical FAQs were then published on 27 May 2020. Both sets of guidance are appended to this paper (Appendices C and D respectively). The guidance outlines that the Local Authority Discretionary Grants Scheme sets some mandatory criteria, but also provides a relatively large degree of local flexibility in determining where to focus funds.
- 3.3. It has been confirmed that the amount of funding for Brent will be £3.3m, which will be paid in early June 2020. In addition, the guidance confirms that the government will meet associated New Burdens costs.

4.0 Detail

4.1 Mandatory Criteria

- 4.2 The Mandatory Criteria (set by government) are as follows:
- i. Businesses which have received cash grants from any central government Covid-19 related scheme (see 4.3 below) are ineligible for funding from the Discretionary Grants Fund. However, businesses that have received funding via the Self Employed Income Support Scheme (SEISS) or the Coronavirus Job Retention Scheme (CJRS) schemes can receive grants under the Local Authority Discretionary Grants Scheme providing they meet the wider criteria.
 - ii. Only businesses which were trading on 11 March 2020 are eligible for this scheme.
 - iii. Companies that are in administration, are insolvent or where a striking-off notice has been made are not eligible for funding under this scheme.

- 4.3 The cash grants from any central government Covid-19 related scheme referred to above include:

- 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

- 4.4 If a business does not meet these mandatory criteria, they will not be eligible for funding from this grant. There is no discretion over this.

4.5 Discretionary Criteria

4.6 The government has stated that the grant is 'primarily and predominantly' to support businesses who fall into the following categories:

- The business has ongoing fixed building-related costs.
- The business occupies a property, or part of a property, with a rateable value or annual mortgage/rent payments of less than £51,000 per annum.
- The business has experienced a significant reduction in revenue since 11 March due to COVID-19.
- The business is an SME, satisfying 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

4.7 The council is proposing that these 'primarily and predominantly' criteria are also adopted as mandatory criteria for the purposes of its local grant scheme. This would mean that any business who does not meet all of the above four criteria will not be eligible for funding.

4.8 The only exception would be those businesses in shared spaces where the property's rateable value is above £51,000 but the individual business occupies only a small portion of the property. Those businesses will still be eligible for funding.

4.9 The government has asked local authorities to prioritise tenants of shared spaces, market traders, small charities, and B&Bs who pay council tax, but local authorities do have the discretion to exclude these types of businesses and/or award grants to other types of businesses that are important to the local economy.

4.10 The Technical FAQs (see Appendix D) published on 27th May 2020 state that '*...Local Authorities have discretion to decide which types of business are most relevant to their local economy and there will be no penalty for Local Authorities based on this prioritisation...*'.

4.11 Following consultation with Members, it is proposed that the council exercise its discretion to enact the following further restrictions on eligibility, in addition to those outlined in 4.6 above:

1. Only micro businesses will be eligible for grant funding under this scheme. This criterion supersedes the 'small business criteria' and any businesses with a headcount of more than 10 will be rejected even if they meet the definition of a small business provided above. Micro businesses are defined by the government guidance as having a headcount of 10 or fewer and one of the following:
 - A turnover of less than £632,000
 - A balance sheet of less than £316,000
2. Only businesses who have been trading for at least 12 months at the point of application will be eligible for grant funding under this scheme.
3. Only those businesses who are actively trading in Brent (as opposed to simply registered in Brent) will be eligible for grant funding under this scheme.
4. Only those businesses who can demonstrate a minimum of 50% loss in income due to Covid-19 will be eligible for grant funding under this scheme.
5. The grant will be open to businesses of any sector providing they meet all the other criteria.

4.12 Under this proposal all criteria in both 4.6 and 4.11 above must be met by a business in order to be eligible for grant funding under this scheme.

4.13 It is anticipated that demand for grant funding under this scheme will considerably outstrip the amount of funding available and therefore the grant will not be able to support all businesses operating in Brent. More detail on managing demand is provided in the remainder of the report.

4.14 Grant Award Tiers

4.15 The government guidance at Appendix C states that there can be at least three levels of grant award - £25,000; £10,000 and any amount under £10,000 but does not specify how these tiers are to be determined.

4.16 It 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. Bearing in mind the above, local authorities should set out clear criteria for determining the appropriate level of grant to give businesses clarity'*.

4.17 Following consultation with Members, it is proposed that the council exercise its discretion to award a single grant tier of £5,000 in order to support a larger number of businesses than would otherwise have been possible with a higher tier rate. There will be no £10,000 or £25,000 tier. The £3.3 million Brent allocation will enable up to 660 businesses to be awarded a £5,000 grant.

4.18 Evidence checking

4.19 The grant scheme will be administered via an online form. This online form is being created in-house and will have functionality to allow document upload in order that businesses provide required evidence that they meet the specified criteria.

4.20 Businesses will need to demonstrate that they meet the eligibility criteria. The evidence that will be requested is likely to include:

- Redacted payroll statements;
- Bank account statements;
- Lease/tenancy agreements;
- Business rates bills;
- Evidence of invoice for market stalls/street trading licence and evidence of renewal fee receipt;
- Tax returns
- Evidence of fixed property costs e.g. utilities bills;
- Certificate of incorporation.

4.21 Awards will not be made without sufficient evidence that the criteria are being met.

4.22 Technical FAQs guidance at Appendix D on how to verify B&Bs is more complex than for standard businesses, charities, or street/market traders. The guidance states that:

'It is up to Local Authorities to set their own criteria for their local schemes and what they would class as a B&B. To be registered for council tax, B&Bs must have fewer than six bed spaces. We would expect properties to be wholly or mainly used as guest or boarding premises. Examples of relevant proof that Local Authorities may wish to consider for B&Bs include:

- *Planning permission for change of use;*
- *A fire certificate obtained when setting up the B&B to get business insurance policy and public liability cover;*
- *A "hotel and mobile units television licence", which covers up to 15 televisions and can be purchased online from TV Licensing;*
- *A music licence from PPL PRS Ltd, if they have a TV in public areas, such as a bar or breakfast room, which has the sound turned on;*
- *A personal and premise alcohol licence, if serving alcohol;*
- *Registered with local Environmental Health Officer when setting up the B&B to the property assessed.*

4.23 A full matrix showing the proposed eligibility criteria and accompanying evidence requirements is included in Appendix A. An element of self-declaration and self-certification will also be used to determine eligibility. See 4.42 below for further detail on how fraud will be combatted.

4.24 Administration

4.25 There a number of ways to administer the grant scheme in terms of accepting applications, for example accepting applications on a first come first served basis until the funding runs out, having a short window in which applications are accepted and then assessed, or a bidding round. All options have their advantages and disadvantages.

4.26 Operating on a first-come-first-served basis would not appear to be a fair mechanism and some businesses who are not aware of the scheme may miss out. This could be mitigated by clear and consistent promotion of the scheme in advance of going live. Payments would also be able to be made more quickly and there would be no element of subjectivity involved in decision making.

4.27 A window for applications would allow businesses more time to apply. Officers would then need to determine applications based on the eligibility criteria outlined above. The window would be open for a maximum of 5 working days from go-live (estimated 16th June) and any applications or supporting information submitted after the window closes would not be considered. Payments would not be made until after the window has closed and sufficient checks have been made.

4.28 It is possible, although highly unlikely, that the fund will be under-subscribed. In that case, the window can be extended to allow more applications.

4.29 It is also possible, and more likely, that the fund will be over-subscribed and there will be more eligible businesses who meet all the criteria than there is funding available.

4.30 If this should occur, further sifting would be required in order to make decisions on how to award funding. In order for this to be transparent, a 'ranking system' would have to be applied in order to further prioritise and make grant awards.

4.31 Following consultation with members, it is proposed to allow a window for applications. The window will be open for a maximum of 5 working days with a 'ranking system' used to determine which businesses are awarded funding if the pot is over-subscribed. The proposed ranking system is included at Appendix B.

4.32 Communication

4.33 Clear communication around the scheme and its criteria will be crucial to demonstrate transparency around how decisions are to be made. The Employment, Skills, and Enterprise team will work closely with Communications to ensure that the scheme is publicised widely in advance of it opening. The following channels will be used:

- Business e-newsletter with over 7,000 subscribers
- Direct email notification to every business who has enquired about the scheme to date
- Press release and council website updates
- Social media channels
- Dissemination through key partners e.g. FSB and West London Business

4.34 This communication work will commence ahead of the scheme going live to ensure that as many businesses as possible are made aware and can start gathering the necessary evidence ahead of applications opening.

4.35 Assessment of applications

4.36 Applications will be considered by a dedicated review team with a recommendation made to a senior officer for approval. The process will be to review the information disclosed in the application and confirm the evidence provided supports the disclosures.

4.37 The ranking system will then be applied in the event of over-subscription to the grant fund.

4.38 Once initial checks have been made to verify whether an applicant is eligible, those who do not meet all the criteria will be rejected and notified. Those who do meet all the criteria, who are in the top 660 after the ranking system has been applied, and where evidence has been checked and confirmed to be sufficient, will be passed to the Finance department for the following purposes:

- Undertake further fraud and bank verification checks to ensure the data provided by businesses is accurate
- Supplier set ups in Oracle to facilitate payments by BACS

4.39 Internal Audit will take a sample of completed applications and review each step of the process for accuracy and completeness. They will not be part of the approval process for each application.

4.40 Any award will be at the absolute discretion of the following:

- Head of Revenue and Benefits
- Head of Finance

4.41 Any representation regarding the appropriate administration of the Local Authority Discretionary Grants Scheme that cannot be resolved by the above will be referred to the Chief Executive or Director of Finance for determination.

4.42 **Combatting fraud**

4.43 In order to ensure that Local Authority Discretionary Grants Scheme is not subject to potential abuse, all submitted applications will require a statutory declaration of truth, a statement regarding data processing and a recovery of funds statement. This declaration allows for the council, through the corporate Anti-Fraud team, to carry out pre-payment checks in order to give greater assurance that the funds are being claimed correctly. Furthermore, the declaration carries warnings which further allow the council to consider taking criminal action against persons who have been found to have deliberately made false applications for the funding. It also allows for the recovery of funds which have been paid which should not have been.

4.44 **Demand**

4.45 If a single £5,000 grant award is agreed, this will help to support 660 businesses in the borough.

4.46 There is insufficient data available to suggest exactly how many businesses in Brent may be eligible for the Discretionary Grant based on the eligibility criteria. It is extremely likely the grant will be oversubscribed with more than 660 eligible applicants who meet every element of the proposed criteria.

4.47 Because of this, officers are recommending a short window for applications of no more than 5 working days.

4.48 A ranking system will then be used after the window has closed to determine which 660 applicants will receive grant funding. The proposed ranking system is included in Appendix B.

5.0 **Financial Implications**

5.1 Total funding of £3.3m has been confirmed as the fixed allocation for Brent's Local Authority Discretionary Grants Scheme.

5.2 If a single £5,000 grant award is agreed, this will fund 660 grant awards.

5.3 It is possible that demand for the grant will exceed the amount of funding available. Therefore, financial controls will need to be embedded in the payments monitoring system to ensure the total amount spent does not exceed the total grant amount. The guidance from government is clear in that local authorities will not be reimbursed for payments above the fixed allocation.

5.4 The government has confirmed that New Burdens funding will apply.

6.0 Legal Implications

- 6.1 The council has powers to administer and distribute grant funding pursuant to the S1 of the Localism Act 2011.
- 6.2 Under the United Kingdom's Withdrawal Agreement with the EU, obligations such as those under the Treaty for the Functioning of the European Union continue to apply and require the council to deal with all bidders for funding in a fair, open and transparent way. Therefore, the council must allow fair access to the funding by all potential recipients. This requires the council to advertise the availability of the funds and assess bidders and their bids on predetermined and pre-advertised criteria applicable to all in the same way. The criteria recommended for approval are detailed in Appendices A and B. They contain criteria specified by central government as mandatory in Appendices C and D as well as recommending certain discretionary criteria.
- 6.3 This requirement to apply predetermined and pre-advertised criteria also applies to the assessment of the grant sum to be paid to businesses. Officers recommend that a single £5,000 grant award is agreed. Whilst central government guidance at Appendices C and D refer to the possibility of making grants of £25,000, £10,000 or any amount under £10,000, the council retains discretion as to sums payable.
- 6.4 State Aid requirements will apply to the distribution of grant funding and the council must be satisfied that that all state aid requirements are met and complied with. The council may make grant payments from the Local Authority Discretionary Grants Fund under either the De Minimis rules or the COVID-19 Temporary Framework for UK Authorities and the guidance document at Appendix C contains further information regarding state aid requirements together with sample state aid declarations for businesses to complete as part of the grant funding application process.

7.0 Equalities Implications

- 7.1 None

Report sign off:

Amar Dave
Strategic Director of Regeneration and
Environment.

Appendix A: Matrix of Eligibility and Evidence

Criteria	Evidence required
<p>Business must not be eligible for any other COVID19 government cash grant including:</p> <ul style="list-style-type: none"> • Small Business (SB) Grant Fund • Retail, Hospitality and Leisure (RHL) Grant • The Fisheries Response Fund • Domestic Seafood Supply Scheme (DSSS) • The Zoos Support Fund • The Dairy Hardship Fund 	<p>Capita to check if business previously received a SB or RHL grant or is eligible for one. If yes, business is rejected.</p> <p>Self declaration required to show that business is not eligible for any of the other Covid-19 government cash grants.</p>
<p>Businesses must have been trading on 11 March 2020 and for 12 months prior to this date.</p>	<p>Bank statements to show business was trading on 11 March 2020 and 12 months prior.</p>
<p>Companies that are in administration, are insolvent or where a striking-off notice has been made are not eligible for funding under this scheme.</p>	<p>2 checks to be made using government tools:</p> <p>https://www.gov.uk/find-out-if-a-company-is-in-financial-trouble</p> <p>https://www.gov.uk/search-bankruptcy-insolvency-register</p> <p>Company Name and Registration Number will be required for this.</p> <p>Certificate of Incorporation.</p>
<p>Company must be trading in Brent (as opposed to just registered in Brent).</p>	<p>Evidence from bank accounts or invoices showing trading taking place in Brent.</p> <p>If a B&B, any of the following will also be required:</p> <ul style="list-style-type: none"> • Planning permission for change of use; • A fire certificate obtained when setting up the B&B to get business insurance policy and public liability cover; • A “hotel and mobile units television licence”, which covers up to 15 televisions and can be purchased online from TV Licensing; • A music licence from PPL PRS Ltd, if they have a TV in public areas, such as a bar or breakfast room, which has the sound turned on; • A personal and premise alcohol licence, if serving alcohol;

	<ul style="list-style-type: none"> Registered with local Environmental Health Officer when setting up the B&B to the property assessed.
<p>Business must be able to evidence a minimum of 50% loss of income incurred due to Covid-19.</p> <p>This will be measured as either a drop in income from Jan-Feb 2020 compared with March – April 2020 OR from March – April 2019 compared with March – April 2020.</p>	<p>Bank statements from January – February 2020 and March-April 2020 evidencing drop in income between the two time periods.</p> <p>OR bank statements from March - April 2019 (inclusive) and comparison bank statements from March - April 2020 (inclusive) evidencing loss of income this year compared to last year.</p>
<p>Businesses must occupy a property, or part of a property, with a rateable value or annual mortgage/rent payments of less than £51,000 per annum.</p>	<ul style="list-style-type: none"> Most recent business rates bill where applicable. If the business does not have their own business rates account, evidence of their annual rent/mortgage payments to illustrate these are less than £51,000 per annum.
<p>Businesses must evidence that they have fixed ongoing property-related costs (e.g. rent payments evidenced by a contract or lease)</p>	<ul style="list-style-type: none"> Most recent tax return (and no earlier than 2018/2019) <p>If no tax return is available then the following will be accepted:</p> <ul style="list-style-type: none"> Lease/tenancy agreements; Evidence of invoice for market stalls/street trading licence and evidence of renewal fee receipt; Utilities bills.
<p>Must have 10 or fewer employees and meet at least 1 of the 2 following criteria:</p> <ul style="list-style-type: none"> - A turnover of less than £632,000 - A balance sheet of less than £316,000 	<p>Redacted payroll data and most recent BACS transfer amount evidenced on bank account statement (ideally from April 2020)</p> <p>Self declaration of annual turnover accompanied by copy of accounts from 2019/20 financial year. If these are not available, a copy of accounts from 2018/19 must be provided.</p>

Applicants must meet **all of the above** criteria in order to be eligible. If any one of the criteria is not met, the applicant will be rejected and their application will not be considered.

If they meet all the above criteria, they may also be subject to the proposed ranking system which is detailed in Appendix B.

Appendix B: Ranking System in case of excessive demand.

It is possible, although highly unlikely, that the fund will be under-subscribed. In that case, the window can be extended to allow more applications. However, it is more likely that the fund will be over-subscribed and there will be more eligible businesses who meet all the criteria than there is funding available.

In order to manage demand and ensure businesses who have been most impacted by the COVID-19 lockdown measures are supported, a ranking system will be put in place as part of the decision making process. For simplicity and transparency, the principles will be aligned to the key eligibility criteria, specifically the number of employees, loss of income and fixed property costs.

The criteria and ranking approach are set out in the table below, where the higher numerical rank represents the higher priority to be considered as part of the decision making and selection process.

Criteria	Sub Criteria	Ranking Range
Number of employees	8 - 10 employees	3-4
	5 - 7 employees	2-3
	Fewer than 5 employees	1-2
Loss of income	Over 91% loss of income	3-4
	Between 71% and 90% loss of income	2-3
	Between 50% and 70% loss of income	1-2
Percentage of fixed costs as a proportion of total costs	Total fixed costs greater than 75% of total costs	3-4
	Total fixed costs between 50% and 75% of total costs	2-3
	Total fixed costs less than 50% of total costs	1-2