

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

COMMUNITY SCRUTINY COMMITTEE – WEDNESDAY,
28 OCTOBER 2020



Title of Report	LOCAL RESTRICTIONS SUPPORT GRANT FUND: DISCRETIONARY FUNDING	
Presented by	Tracy Bingham Head of Finance and Section 151 Officer	
Background Papers	Local Authority Discretionary Grant Fund – May 2020	Public Report: Yes
Financial Implications	<p>We will not know the amount of funding provided for a local restrictions discretionary grant fund until relevant local restrictions have been imposed.</p> <p>The principles outlined in this report seek to minimise the financial risk to the Council from administering this funding in the event of local restrictions having been imposed for a minimum period of 3 weeks. The primary risk is that we pay businesses more than we receive in funding, leaving the council to fund the shortfall.</p> <p>The Department for Business, Energy and Industrial Strategy (BEIS) has confirmed that they will complete a New Burdens assessment on the Local Restrictions Support Grant Fund and provide local authorities with funding for administering the scheme.</p> <p>Signed off by the Section 151 Officer: Yes</p>	
Legal Implications	<p>The principles and outline local restrictions discretionary grant funding has been based upon guidance from BEIS.</p> <p>There is no automatic right of appeal against a decision not to award a grant, or against the value of any grant. The only further recourse available to applicants is a challenge by way of a judicial review, and/or a complaint to The Local Government and Social Care Ombudsman.</p> <p>Signed off by the Monitoring Officer: Yes</p>	
Staffing and Corporate Implications	A small number of staff will need to be redeployed from across the council to administer grants if local restrictions are implemented. This may affect the delivery of other services and projects within the council, but we cannot tell at this stage what the impact might be. We will, however, seek to minimise any disruption caused.	

	Signed off by the Head of Paid Service: Yes
Reason Agenda Item Submitted to Scrutiny Committee	To invite feedback from the Community Scrutiny Committee on the discretionary part of the Local Restrictions Support Grant policy.
Recommendations	THAT THE COMMUNITY SCRUTINY COMMITTEE PROVIDES ANY COMMENTS IT MAY HAVE ON THE PRINCIPLES GUIDING THE LOCAL RESTRICTIONS DISCRETIONARY GRANT FUND AND THE RESULTING OUTLINE POLICY TO CABINET WHICH WILL BE CONSIDERING THE POLICY AT THEIR MEETING ON 11 NOVEMBER.

1. BACKGROUND

- 1.1 Between March and September 2020, North West Leicestershire District Council was responsible for administering grant schemes to support businesses in response to Coronavirus. These schemes were known as the: small business; retail, hospitality and leisure and discretionary grant funds and the council distributed over £20m to over 1,850 businesses within North West Leicestershire. These grant fund schemes were formally closed by the Department for Business, Energy and Industrial Strategy (BEIS) at the end of August 2020.
- 1.2 On 9 September 2020 the Chief Secretary to the Treasury announced that Government would provide businesses with additional grants in the event that they are asked to close as part of a local restrictions. North West Leicestershire District Council will be responsible for administering these grants within North West Leicestershire. The grants will be worth up to £1,500 for every two weeks businesses are forced to close and will be split into two separate schemes:
- **Business Rate Paying Grants:** businesses that have been instructed to close and have properties on the ratings list will receive either £667, £1,000 or £1,500 per property every two weeks they are required to close. Local authorities will need to administer these grants in line with the guidance issued by BEIS.
 - **Local Restrictions Discretionary Grants (LRDG):** Local authorities will be provided with an additional 5% of funding to support businesses that are affected by the local restrictions but do not qualify for the grant above. Local authorities have discretion to design their policy to best support businesses.
- 1.3 These grants will only become available if the Secretary of State for Health and Social Care requires businesses in North West Leicestershire to close in response to the threat posed by Coronavirus, and those businesses remain closed for more than two weeks.
- 1.4 The council will not know exactly what businesses may be asked to close if a local restriction is imposed in North West Leicestershire, and there is unlikely to be sufficient notice to go through a normal policy approval process. This report, therefore, sets out the principles used to develop North West Leicestershire's discretionary grant policy should it be needed, and gives an outline of what the policy will look like as a result, to enable the approach to be scrutinised before requesting approval from Cabinet. The

Cabinet report will also look for delegated authority to be given to the Section 151 Officer, in consultation with the Portfolio Holder for Business and Regeneration, to make changes to the policy to reflect the restrictions that are introduced and any additional guidance from the Government.

- 1.5 Whilst it does not currently look likely, if local restrictions trigger these grants before the principles and outline policy has been approved then the council will use emergency powers contained within the Constitution to implement the grant scheme in line with the principles within this report and any variation needed to consider the circumstances of that lock down period.
- 1.6 Given the similarity between the Local Restrictions Discretionary Grant (LRDG) and the discretionary grant fund administered over the summer, we have provided relevant information and lessons learnt from the administration of the previous discretionary grant fund to support scrutiny of the LRDG policy detailed at Appendix A.

2. THE LOCAL RESTRICTIONS DISCRETIONARY GRANT

- 2.1 The primary purpose of the fund is to help businesses that need to close which may not be on the business rates list. An example could be a café that rents part of a property and is therefore not listed as a ratepayer for the property. In this scenario, if café's are forced to close for two weeks as part of local restrictions this particular café business would not be eligible for the business rate scheme as they are not a ratepayer, so would need to apply for the local restrictions discretionary grant.
- 2.2 BEIS is also giving local authorities the discretion to make payments to businesses that may have no choice but to close, for instance because their customers or suppliers are forced to close. This could include businesses that are on the ratings list but have not been forced to close. For instance, businesses that supply the café above, such as a bakery, might be forced to close if the café is its only customer – regardless of whether they occupy a rateable premise or have been required to close.
- 2.3 The maximum grant is £1,500 per business (not premises) each two week period. It is up to Local Authorities to determine how to award businesses under the grant, and which businesses (if any) should be prioritised. The guidance suggests that local authorities may want to take into account the following factors when deciding what businesses to support and the level of grant to award:
 - the level of fixed costs faced by businesses;
 - the number of employees;
 - whether businesses have had to close completely; and
 - the scale of COVID-19 losses.
- 2.4 BEIS will top-up the funding provided for the business rate grants by 5% to fund the discretionary grant policy. It will be up to local authorities to determine how best to use the funds and any spend above the 5% must be met from the council's own resources.

3. PRINCIPLES GUIDING THE LOCAL RESTRICTIONS DISCRETIONARY GRANT

- 3.1 This section sets out the guiding principles for North West Leicestershire's local restrictions discretionary grant policy and explains why those principles are considered appropriate based on the guidance and the lessons learnt from the discretionary grant fund.

Principle 1: Getting payments to eligible businesses quickly is a priority.

- 3.2 Many businesses have already been severely affected by coronavirus, and an additional period of localised closure may cause businesses immediate cash flow issues. There was huge pressure to make payments under the previous grant schemes quickly to support businesses through the sudden closures.
- 3.3 Under the Local Restrictions Support Grant, businesses will not become eligible until they have been closed by the restrictions for a two week period. In practice, this means businesses will not receive a grant payment for at least two weeks. Businesses applying for a local restrictions discretionary grant are likely to then need to wait for more than four weeks after restrictions are imposed before receiving a payment, in order to accommodate an application process. Speed is therefore a priority to support businesses.
- 3.4 The discretionary grant fund, administered in the summer, also required a quick response. In practice, this meant having a short window for applications and setting the level of grant we would award before all applications were finalised. This meant the council was able to pay 91% of businesses within a week of the applications deadline, but at the risk of either under or over spending as some applications were still being reviewed by officers to check scheme eligibility and to verify the applicants. This risk was mitigated by assessing the remaining cases to determine how much they were likely to receive, and after all cases were concluded we had an under spend of £23,100 which represents just 2% of the funding allocation.
- 3.5 An alternative would be to wait for more, or all, applications to be reviewed before awarding grants to business. This would give greater certainty over the amount of payments to be made, allowing us to adjust the policy to ensure all the funding is utilised. However, this is not seen as practical, as it can take a long time to resolve more complex cases – the last discretionary grant fund case was not resolved until late September 2020¹. We therefore, propose following a similar approach to the discretionary grant, by having an application window with payments set and made shortly after the application window closes.

Principle 2: We will retain the flexibility to vary payment amounts to ensure we maximise the amount of support we provide.

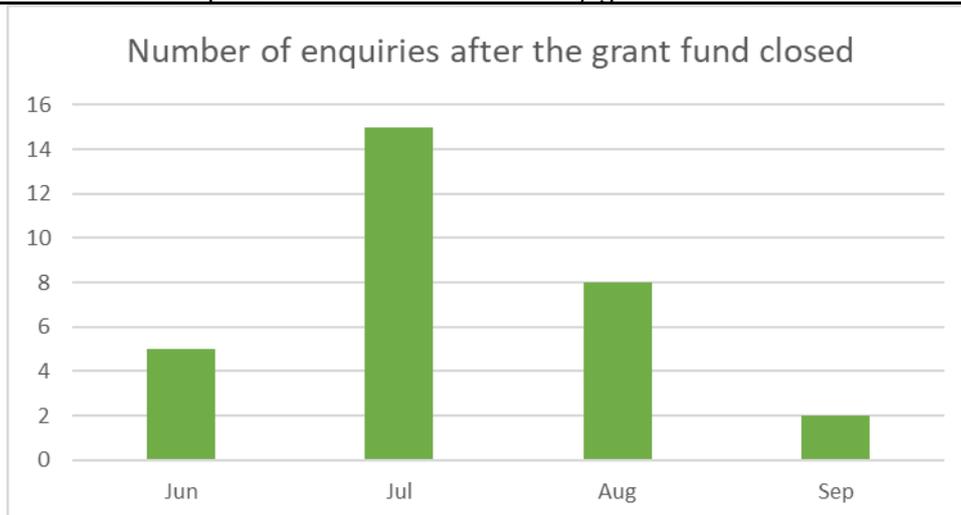
- 3.7 It is up to local authorities to determine how much grant to award businesses under the LRDG. Under the previous discretionary grant scheme, two schools of thought emerged across the country; some council's chose to offer fixed amounts based on certain criteria whilst others set out a mechanism for determining the grant amount and retained flexibility to revise this is required.
- 3.8 NWLDC adopted the more flexible approach as it was not possible to ascertain with any certainty how much demand there would be for the grants. This allowed the council to increase the value of payments in response to lower than anticipated demand. 174 businesses benefited from higher payments as a result, with the average increase being £1,810. Equally, this approach would have protected the council from a

¹ In this case, the business was awarded a discretionary grant In June 2020 pending an assessment by the Valuation Office Agency to add the premise to the ratings list. It was subsequently added to September 2020 and we were able to use discretion to award the business the larger Retail, Hospitality and Leisure Grant. Their discretionary grant was clawed back as a result.

financial liability should demand have been greater than anticipated, as we would have reduced the value of the grant to match the amount of funding available.

- 3.9 However, the consequence of this approach is that payments cannot be made until the application process has closed and the majority of applications have been reviewed – whereas payments could be made when cases are confirmed under a fixed payment approach. This means businesses have to wait longer for payments, but payments were still made quickly by accepting some risk in finalising the council's payment policy before all applications had been finalised, as outlined in paragraph 3.4.
- 3.10 Another drawback of this approach is that it means the application window needs to be short, and some businesses may not apply in time. On the discretionary grant fund, 30 businesses contacted the council in the months after the discretionary grant fund closed, with most contact in July 2020 (see figure one). Councils that did not have flexibility in their payment approach opened a second round of applications, which enabled more businesses to be supported, but at greater risk of underspend should there not be enough applications to spend the whole amount of grant available. Having a flexible policy allowed the council to consider this approach, but it was discounted given the risk of underspend. Instead, the application window was extended from 2 to 3 weeks, which resulted in an additional 37 businesses applying.

Figure one: number of enquiries about the discretionary grant fund after it had closed.



- 3.11 The circumstances surrounding the LRDG fund are likely to be similar to the previous discretionary grant fund: demand for the grant scheme will be uncertain, as demand will be dependent on which businesses must close and how much other businesses in North West Leicestershire will be affected. Having flexibility built into the LRDG policy will enable the council to flex the amounts paid to businesses so they receive the maximum amount of support available. This can be achieved by delegating authority to the Section 151 officer, in consultation with the Portfolio Holder for Business and Regeneration, to vary the payment amounts to businesses based on the applications received.

Principle 3: We will streamline the eligibility criteria to reduce the complexity of the grant scheme.

- 3.12 BEIS' guidance suggests that "local authorities may want to take into account the level of fixed costs faced by the businesses in question, the number of employees, whether

businesses have had to close completely and are unable to trade online, and the consequent scale of COVID-19 losses.” This mirrors previous guidance for the discretionary grant fund, and the council was mindful at that time of the complexity assessing those criteria and so adopted a simpler criteria:

- Businesses needed to demonstrate a 40% loss in income to be eligible.
- Payments were based on the verified amount of fixed property-related costs per month.

3.13 These criteria allowed the payment amounts to be focused on businesses that had been most severely affected by Covid-19, and ensure that the grant businesses received was relative to the fixed property-related costs they were facing. However, the criteria were complex to assess, and meant officers needed to enter a dialogue with most applicants to get all the evidence required to verify their eligibility and determine the amount to award. Some businesses expressed frustration with the process, with one complaint labelling it as “*unnecessarily demanding, cumbersome and bureaucratic*”.

3.14 It is likely to be more challenging to replicate these criteria for the LRDG. Businesses had already been in lockdown for over two months when the discretionary grant fund was launched, which meant they would have had two months’ worth of evidence income loss and fixed property-related costs to support their application. With the LRDG scheme being based on a two week window businesses may not be able to provide similar levels of evidence as quickly; particularly in industries where there is a lag between the business closing and income falling.

3.15 For these reasons, we plan to have simpler criteria for the LRDG that closely align with BEIS’ intention for the grant fund. We will split the available funding equally amongst businesses that are able to demonstrate that they are required to close, either because of an instruction from the Secretary of State for Health and Social Care, or because their business has been impacted by the closure of other businesses to the point they have had to close. The evidence sought is set out in the proposed policy appended at Appendix A.

3.16 This will streamline the application process – making it easier for businesses to apply and quicker for us to get funding to those that are affected (reflecting principle 1).

3.17 It will also ensure that all successful applicants receive as meaningful grant as possible. On the previous discretionary grant fund, the value for grant payments varied from £336 to £10,000 with an average payment of £4,850. Some businesses receiving lower amounts complained about the value of their award, especially when compared to the fixed amounts paid out under the small business and retail, hospitality and leisure grants. If that same range was experienced on the LDGF then some businesses may only receive a grant of £50 per two week period. However, as each business receives the same payment it means businesses with lower costs will receive more support, relatively speaking, than larger businesses with high running costs.

4. NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL’S LOCAL RESTRICTIONS DISCRETIONARY GRANT POLICY

4.1 A draft local restrictions discretionary grant (LRDG) policy can be found in Appendix A. This is based on the principles and rational set out in the previous sections. The key eligibility criteria is that businesses must have been forced to close, either directly in response to Government’s guidance, or because the closure of a business’s customers or suppliers force it to close. Businesses will receive the lower of the

amount they request, an equal share of the available funding or £1,500 (as the maximum grant we can offer).

- 4.2 The draft policy also includes provision for the Section 151 officer, in consultation with the Portfolio Holder for Business and Regeneration, to amend the policy based on the specific circumstances surrounding any local restrictions that are implemented, along with any changes required to ensure the smooth and timely administration of grants to businesses.
- 4.3 Businesses will become eligible for payments each two week period of local restrictions. If local restrictions remain in place for more than four weeks, businesses would become eligible for an additional payment if they still meet eligibility criteria. Where this is the case, we will reopen applications so that businesses that missed the first application window can apply for the second one. There will be a streamlined section for those that have already received a grant to simply confirm they are still eligible and would still like to receive the grant.
- 4.4 The council is developing a communications plan to echo the recent Government announcements and reassure businesses that there will be support available for them should North West Leicestershire reach the very high alert tier and businesses are asked to close. This will look to inform businesses of the latest developments and signpost them to communication channels they should look to for future updates.

Policies and other considerations, as appropriate	
Council Priorities:	Support for businesses and helping people into local jobs
Policy Considerations:	This is a new policy for a new grant scheme.
Safeguarding:	None.
Equalities/Diversity:	Administration of the grants will be via an e-form available on our website. Where businesses are unable to complete a form online we will provide a paper copy.
Customer Impact:	The redeployment of staff may have a negative impact on the delivery of other services. We will not know where staff will be redeployed from, and therefore what services may be affected, until this grant scheme is triggered.
Economic and Social Impact:	The administration of this policy will work to reduce the economic impact from businesses being required to close in response to coronavirus restrictions.
Environment and Climate Change:	None
Consultation/Community Engagement:	Business and Regeneration Portfolio Holder Strategy Group NWLDC's Economic Recovery Cell
Risks:	Risks include: - Potential fraud and error in applications, which is mitigated by a robust application process.

	<ul style="list-style-type: none">- Overspend on the grant, which will need to be paid from by the Council. The policy has been designed to mitigate this risk.- Damage to the Council's reputation, through poor administration or because the grants available to not meet business' expectation.
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