

CAMBRIDGE CITY COUNCIL

Record of Executive Decision

RECORD OF URGENT DECISION ON CRITERIA AND PROCESS FOR DISTRIBUTION OF THE LOCAL AUTHORITY DISCRETIONARY GRANT UNDER SECTION 31 OF THE LOCAL GOVERNMENT ACT 2003
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Decision of: Councillor Robertson, Executive Councillor for Finance and Resources

Reference: 20/URGENCY/SR/9

Date of decision: 9.6.20

Recorded on:
9.6.20

Decision Type: Key

**Matter for
Decision:**

In the light of the Covid-19 pandemic, Government have provided Local Authorities with funds under section 1 of the Localism Act with the authority to distribute them to eligible organisations under Section 31 of the Local Government Act 2003.

The latest of these funds is referred to as the Local Authority Discretionary Fund and is for eligible organisations who, broadly, have not been eligible for other covid-19 grant funds in the current period.

Cambridge City Council has circa £1.1m to disburse under this grant. Government have set a range of criteria but have left discretion to the City Council to decide parameters around levels of funding to be disbursed to eligible applicants and any prioritisation they wish to make to meet local economic needs.

The Government is keen that these funds should be disbursed as quickly as Local Authorities can reasonably get arrangements for application and assessment processes in place, and would ideally like to see funding being issued in early June 2020. An urgent decision is therefore required in order to ensure that the criteria and funding level arrangements for disbursement of the fund within the City can be finalised and published on the website prior

to requesting applications.

The attached paper sets out the recommended proposals for the grant funding.

Why the decision had to be made (and any alternative options):

The Government announced the additional funding in May 2020, and the latest version of the guidance was issued on 22nd May. Payments are ideally expected by Government to be made in early June, so there is an urgent need for decision on the key criteria.

The Executive Councillor's decision(s):

Approved 3.6.2020

Reasons for the decision:

As detailed in the Officers report attached.

Scrutiny consideration:

The Chair and Spokesperson of the Strategy and Resources Committee were consulted prior to the action being authorised.

Report:

Attached

Conflicts of interest:

None

Comments:

The decision will be reported back to the Strategy and Resources Scrutiny Committee on 6th July 2020.

1. Executive Summary

- 1.1. In the light of the Covid-19 pandemic, Government has established vires under section 1 of the Localism Act 2011 and agreed to distribute funds to Local Authorities. The funds are provided with the authority to distribute them as grant funds to eligible organisations under Section 31 of the Local Government Act 2003.
- 1.2 The latest of these funds is referred to as the Local Authority Discretionary Fund and is for eligible organisations who, broadly, have not been eligible for other covid-19 grant funds.
- 1.3 On the 13 May 2020, the government published the Local Authority Discretionary Grants Fund – Guidance for local authorities. This was replaced by v2 on 22nd May 2020. The link is provided at the end of the report.
- 1.4 The government has set national criteria on how the funds should be allocated, allowing local authorities some discretion to determine which cases to support and the value of payments. State Aid rules apply which will exclude any businesses that operate at a national level. The funding is targetted at small and micro enterprises. Those who are eligible for other Government based Covid-19 grant funds, including the Small Business Grant Fund or the Retail, Leisure and Hospitality Fund, will NOT be eligible for this fund, with the exception of those eligible for the Job Retention Scheme and the Self Employed Support Scheme (SEISS)
- 1.5 This report sets out the businesses and other organisations that will be covered by this grant funding in Cambridge City, and how the funding will be locally set and targetted.
- 1.6 The purpose of the report is not to cover the detail of how the scheme will be administered, delivered, or the processes that will be applied. The focus is on which cases will be supported and the payment arrangements
- 1.7 The funding for this new scheme is capped at 5% of the grants allocation to the City Council and a letter was received from Government by the City Council in May confirming that amount as £1,119,000
- 1.8 The government has asked Local Authorities to prioritise four categories of business in their discretionary scheme. The business categories that have been selected do broadly align with the local economy in Cambridge. The Council therefore intends to target funds broadly in line with Government priorities. Feedback from local business network groups has also been sought. Inclusion of these categories of business in the discretionary scheme will therefore help some of the small businesses that play an important role

locally but to date have not been able to access the government grant schemes.

2.0 The Proposal

2.1 The proposal is that the Council makes a payment to each business that meet the criteria within each of the four categories as follows:

Category	Approach	Grant payment
Small Businesses in Shared or Serviced Accommodation Small businesses, not paying business rates themselves but physically located in shared/serviced accommodation in Cambridge which are registered for business rates.	Annual rental payments: Below £5,000	£2,500
	£5,000 or more but below £10,000	£5,000
	£10,000 or more but below £51,000	£10,000
Market and Street Traders Any Market Trader who has a signed license agreement with Cambridge City Council and any Street Trader who has signed consent with Cambridge City Council and were trading as such on or before March 11 th 2020.	Basic payment plus payment to account for variation in number of days and pitches etc.	£1,000 basic plus 10% of annual rent invoiced in 2019/20
Bed and Breakfasts Registered with Environmental Health at the City Council on or before 11 th March 2020, registered for Council Tax.	Applies to eligible B&Bs	£2,500
Charities and other not-for-profit organisations EITHER paying business rates to the City Council (and they would otherwise meet the criteria to receive Small Business Rate Relief if they were an equivalent sized business.) <u>OR</u> not paying business rates themselves but	EITHER in premises with a rateable value OR with annual rental payments of: Below £5,000	£2,500
	£5,000 or more, but below £10,000	£5,000

physically located in shared/serviced accommodation in Cambridge which are registered for business rates.	£10,000 or more, but below £15,000	£10,000
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2.2 The government has set out specific criteria that would need to be met for each of these categories of business and some constraints that would apply. A few local checks will also be carried out.

2.3 The Local Authority Discretionary Grants Fund Scheme for Small Businesses will accept applications until the funding is all allocated. Once all the funding is exhausted the scheme will close to new applicants. Any assessed and approved but unpaid claims that are still in the system will be held on a reserve list in case additional funding is made available.

2.4 A delegation to the Strategic Director is also sought to develop and finalise the application and assessment process, approve updates where required by emerging government guidance, and implement and manage the scheme accordingly.

3. Recommendation:

3.1 The Executive Councillor

- (a) Approve the framework for the City Council's Local Authority Discretionary Business Grant fund, as set out in this report.
- (b) Approves the payment levels for each of the priority groups, as set out in paragraph 2.1.
- (c) Delegates authority to the Strategic Director to develop and finalise the application and assessment process, and implement and manage the scheme accordingly, including the review process outlined in paragraph
- (d) 4.4.3 of this report.
- (e) If any changes to the scheme are required, these will be agreed with the Executive Councillor in consultation with Chair and Spokes.

4.0 Priorities, funding structure and assumptions.

4.1 Government priorities

4.1.1 The government set out four categories of businesses that they ask to be prioritised for grants from within this funding pot.

- 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 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.

4.2 Cambridge City Priorities

4.2.1 **Shared/Serviced Accommodation** Discussions with Cambridge BID, the Chamber of Commerce and the Federation of Small Businesses have identified that they consider that this group is a priority for support within the city, as they have been ineligible for other grants . An estimate has been made based on shared information and discussions with the business rates team. In Cambridge, **this category will cover businesses that do not pay business rates themselves but are located in premises that are registered for business rates.**

4.2.2 **Market Traders** - Cambridge is proud of its markets and has nearly 200 market and street traders. **It is intended that the grant support would be available for market traders who have a signed license agreement with the City Council and street traders who have signed consent with the City Council and were trading as such on or before March 11th 2020.** We are proposing a refined payment structure to recognise the variation in pitch numbers, and days of week in Cambridge.

4.2.3 **Bed and Breakfasts** – It is recognised that these businesses have not benefitted from other Covid-19 grant funding. **It is intended that the grant support will be for those Bed and Breakfasts which were registered with the Council's Environmental Health on or before March 11th 2020 and registered for Council Tax.** Air BnBs will be excluded.

4.2.4 **Charities** – Many charities have made a significant contribution in supporting people at this current time. **The estimated number for eligible charities has**

been based on businesses claiming charity relief which are held on the Council's revenues system. Not for profit organisations which carry out similar work to charities in the City, and whom occupy premises within shared accommodation/offices which pay business rates to the City Council may also be eligible.

4.2.5 Cambridge's three biggest employment sectors are education, health and tourism and hospitality. It is considered that the support provided for the key groups may pick up many of these.

4.2.6 It is therefore recommended that the four categories of business set out by the government are included in the local scheme. The sources highlighted in bold are the local check that the council would undertake.

4.3 Funding structure and Levels

4.3.1 The Government's scheme allows the value of the payments to eligible applicants to be at the discretion of the local authority. The options considered have included:

(a) Case by Case basis

This was considered but the risk of the need for a more complex application and assessment process, delaying funding roll out and getting support to organisations meant that it was rejected.

(b) A straight line payment level across the four groups

This was considered but did not meet variation in needs and property cost levels across the groups

(c) Banded levels (with or without minor variations) . Different levels of payment for each group. A number of Local Authorities have chosen this option including South Cambs DC and Hunts DC. Within this there could also be minor variations for specific Cambridge circumstances.

(d) Equal division of the funding between the groups. Under this option total levels of funding would be equal between the groups but groups with the lowest numbers of applicants would get higher banded levels of funding. This option was therefore rejected.

4.3.2 Following discussion, it has been concluded that option (c) is the preferred choice for the City Council, with some variation to recognise the appropriate RV or equivalent rents in the City. This would enable as many applicants as possible to benefit from the local grant scheme.

4.4 Current assumptions

- 4.4.1 Assumptions and estimates have had to be made in determining the number of eligible businesses. Any incomplete applications will be rejected and effectively removed from the queue; the applicant would have to reapply and join the end of the queue.
- 4.4.2 Whilst payments will be made on a 'first come, first served' basis, care will be taken to ensure all of the priority groups receive a reasonable share of the overall discretionary business grant funding available. **Once the funding is all allocated, the discretionary business grant scheme will close.**
- 4.4.3 Unsuccessful applicants can make a complaint if they dispute the Council's assessment of their business grant application. The review will be undertaken by a senior manager not involved in the previous decision.
- 4.4.4 The distribution of payment will depend on the applications received, and the eligibility of applicants. Initial estimates of eligible applications are as follows:

Group	Estimated number applications
Small businesses, charities and not-for-profit organisations in shared/serviced accommodation	120
Market and Street Traders	180
B&Bs	50
Charities and not-for profit organisations	110

5.0 Risks

- 5.1 However, there are a number of risks associated with the Local Discretionary Grant Fund.
- 5.2 The actual number of small businesses and micro businesses is estimated. The Council has pooled a range of information resources to identify as closely as is possible at this time, the organisations who may be eligible.
- 5.3 The number of businesses that are eligible or have accessed other forms of grant funding and therefore are excluded from an application to this scheme is also unknown prior to any application submission.
- 5.4 The Council has scarce resources and needs to ensure that they are deployed efficiently to implement an application process which balances the need to get support to business with sufficient assurance that the funds have been rolled out to the right place, and to identify potential fraud as early as possible.

- 5.5 Local Authorities have discretion over levels of funding and prioritisation of key groups to meet local economic needs. We need to publish eligibility criteria online and work with partners to ensure that, where appropriate, we maintain consistency in process for the benefit of businesses.
- 5.6 In comparison to the earlier grants, we have a very limited pot of funding to disburse through this scheme. We will ensure that all four groups get access to the funding through prudent planning and management, but this will need to be run effectively as a first come first served scheme, to ensure the funds are rolled out as soon as possible to organisations in need and also to avoid peak assessment periods.
- 5.7 Based on the allocated amounts, estimates provided on the number of businesses and take up on the preferred option, it is unlikely that there will be enough money in the initial Fund to meet the predicted level of applications by eligible organisations. Scheme guidance indicates that Government is prepared to provide additional funds where this is the case, but the team will keep the figures under close review to ensure that we work with Government in advance of reaching the initial limits based on received applications.
- 5.8 Government permitted a maximum level of £25k per grant in this scheme, then a £10k level, giving Local Authorities discretion to apply those levels plus any under £10k through local application. The £25k and £10k payments match those applied through the earlier Small Business Grant and Retail, Hospitality and Leisure Grant. However, the very limited funds available for this scheme mean that the Council has limited the maximum grant to £10k in order to support more businesses.
- 5.9 Delivery of the scheme still needs to happen and a team is being put in place. The challenge to design, specify, build, test, train and launch a new scheme in a matter of weeks is significant. Whilst the individual sums granted compared to the first scheme are much lower, the volume of applications is forecast to be 350-400, and with a limited fund, applications are likely to be submitted in a significant peak. Appropriate resources to deal with this are being put in place, and the task has been given high priority by the senior leadership team.

6.0 Implications

(a) Financial Modelling

The funds for the scheme are provided by Government under section 1 of the Localism Act 2011 and agreed to distribute funds to Local Authorities. The funds are provided with the authority to distribute them as grant funds to eligible organisations under Section 31 of the Local Government Act 2003. The initial allocation provided to Cambridge City Council is £1,119,000

(b) Staffing Implications

Delivering the scheme will require a dedicated team of individuals. The recommended option whilst still requiring a significant resource over several weeks will consume the least amount of resource.

The implementation is being led by the Strategic Director alongside a team comprising a project manager, plus colleagues from Revs and Bens, Internal Audit, Community Development, Finance, Digital and Communications. The fund is expected to be disbursed within 3 months.

The scheme has also been designed on the best estimates available at this time and once the funding has been consumed the Fund will close. It is likely that funds will be disbursed within under three months.

(c) Equality and Poverty Implications

None for this report. The criteria set by Government are intended to meet key business and organisation needs.

(d) Environmental Implications

None for this report. The scheme criteria are set by Government with discretion allowed to relate to local needs.

(e) Procurement Implications

None for this report

(f) Consultation

There has been no formal consultation on this scheme. Discussions have taken place with the BID, Chamber of Commerce and the Federation of Small Businesses, as well as other Local Authorities and the Combined Authority through the Economic Recovery Sub-Group.

(g) Legal Implications

Government has established vires under section 1 of the Localism Act 2011 and agreed to distribute funds to Local Authorities. The funds are provided with the authority to distribute them as grant funds to eligible organisations under Section 31 of the Local Government Act 2003.

The criteria for the Local Authority Discretionary Fund Scheme have been set out by government and whilst much of this is guidance the Council has aligned the scheme with the published document. Local discretion will primarily be around the level of grant and categories of business to be supported. The Council's decision on eligibility and payment will be final.

(g) Management of Risk and Fraud

The Council will not accept deliberate manipulation and fraud - and any business caught falsifying their records to gain grant money will face prosecution and any funding issued will be subject to claw back, as may any grants paid in error.

The government Grants Management Function and Counter Fraud Function have made their digital assurance tool, Spotlight, available to local authorities, and will offer support in using the tool and interpreting results. Alongside other checks conducted by local authorities, the tool will be used for both pre-payment and post-payment assurance. We will work with the government and other local authorities in identifying and sharing good practice, including protecting eligible businesses which may be targeted by fraudsters pretending to be central or local government or acting on their behalf.

Post payment, the government Grants Management Function and Counter Fraud Function will support local authorities to carry out post-event assurance work to identify high risk payments. The Cabinet Office is proposing to include Covid-19 Grants Payment data in the mandatory National Fraud Initiative, which is the biennial data matching exercise across the public sector.

(h) State Aid

The United Kingdom left the EU on 31 January 2020, but nonetheless under the Withdrawal Agreement the State aid rules continue to apply during a transition period, subject to regulation by the EU Commission. The Council is required to be must be satisfied that all State aid requirements have been fully met and complied with when making grant payments, including, where required, compliance with all relevant conditions of the EU State aid De-Minimis Regulation, the EU Commission Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, the approved COVID-19 Temporary Framework for UK Authorities, and any relevant reporting requirements to the EU Commission.

The Council has discretion to make payments to eligible recipients under either the De Minimis rules or the COVID-19 Temporary Framework for UK Authorities (provided all the relevant conditions are met).

Payments of up to and including £10,000 can be provided under the De Minimis rules, meaning applicants can receive up to €200,000 of aid within a three-year period.

(j)List of Appendices

Appendix 1 Eligibility Criteria

7. Background Papers

[Government Guidance on Discretionary Fund](#)

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Appendix A: Eligibility criteria for Cambridge's Discretionary Grant Fund

Applications are welcomed from small businesses, market and street traders, Bed & Breakfasts, charities and not-for-profit organisations **in Cambridge** who meet **all the relevant eligibility criteria**.

Criteria applying to ALL applicant categories	
1.	Ineligible for other current grant schemes relating to Covid-19, such as Retail, Hospitality and Leisure Grants or the Small Business Grants.
2.	Was operating on 11 March 2020 and intends to continue to operate. Businesses that are insolvent, in administration or subject to a striking-off notice are not eligible.
3.	Must not be a wholly owned subsidiary of another business or organisation or parts of a recognised group of companies or organisations in common ownership.
4.	<i>With the exceptions set out in criteria 10d and 10e on the next page:</i> Must have a rateable value or annual rent costs or annual mortgage payments of less than £51,000.
5.	Has an annual turnover of no more than £10.2 million.
6.	Has a balance sheet total of no more than £5.1 million a year.
7.	Has fewer than 50 employees.
8.	Has relatively high on-going fixed property related costs (this can include storage, pitch rental, mooring or marina fees, if applicable).
9	Able to demonstrate a significant fall in income as a result of the Covid-19 shutdown. (For charities and not-for-profit organisations, this might include a significant reduction in fund-raising opportunities).
Criteria applying to relevant applicant categories	
10a.	Market Traders must have been licensed with Cambridge City Council on 11 March 2020 and must continue to be licensed now.
10b.	Street Traders must have had signed consents with the City Council on 11 March 2020 and must continue to have such consents now.
10c.	Bed & Breakfasts must have been registered with the City Council's Environmental Health service on 11 March 2020 and must continue to be registered now.
10d.	Tenants in shared or serviced accommodation (whether small businesses or charities or not-for-profit organisations) do not have their own business rate account with the Cambridge City Council

10e.	The costs incurred by charities and not-for-profit organisations (either expressed as a rateable value for their premises or as an annual rental payment for shared/serviced accommodation) must be less than £15,000.
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