

PROPOSALS TO REVISE THE CAMBRIDGE CITY COUNCIL'S DISCRETIONARY GRANT FUND POLICY (JULY 2020)

1. Recommendations

That the Executive Councillor for Finance and Resources:

- 1.1 approves the proposed changes to the applicant categories, grant funding levels and eligibility criteria (see Section 3) to be incorporated in a revised version of the Council's Discretionary Grant Fund policy; and
- 1.2 delegates authority to the Strategic Director to finalise the revised Discretionary Grant Fund policy and processes, approve updates (where required by further changes to government guidance) and oversee application assessment (including reviews, upon request, for unsuccessful applicants) and grant distribution for the final period of the grant scheme.
- 1.3 Should the revised policy not attract sufficient applications in a timely fashion, delegate authority to the Strategic Director, in consultation with the Executive Councillor, to implement any further changes necessary to ensure that the Council's entire funding allocation is paid to eligible organisations by the closing date for the scheme.

2. Background

- 2.1 In the context of the Covid-19 pandemic, the Government has provided councils 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. Following on from the earlier Small Business and Retail, Hospitality and Leisure (RHL) grants, the third of these funds is the Local Authority Discretionary Fund. This is primarily and predominantly for micro and small businesses not eligible for other Covid-19 grant funds who have struggled to survive during the lockdown (given high fixed property costs and significant income losses). In short, the purpose is to help them to stay in business.
- 2.2 Whilst local authorities can use their discretion as to which types of business are most relevant to their local economy, the Government has identified its priorities as: micro and small businesses in shared offices which do not have their own business rate assessment; regular market traders; bed & breakfasts; and charities in properties in receipt of charitable business rates relief¹.
- 2.3 The City Council has an allocation of just over £1.1 million (still to be finally confirmed) to distribute through discretionary grants. Following an urgent decision by the Executive Councillor, the Council launched its discretionary grant fund on

1. That is, charities in properties with a rateable value below £15,000.

10 June 2020, with a policy set in the context of government guidance (issued in late May 2020). Appendix A outlines the applicant categories, funding levels and eligibility criteria in Cambridge.

2.4 Since the launch, the Council has issued around £573,000 in grants to 150 eligible recipients across these categories:

- small businesses in shared/serviced premises in Cambridge which have a rateable value up to £51,000;
- licensed market traders & street traders operating in the city;
- charities and not-for-profit organisations in properties in Cambridge with a rateable value or annual rent below £15,000; and
- bed & breakfasts in Cambridge registered for council tax and with the City Council's environmental health service.

So far, around 75% of applications in Cambridge have been successful².

2.5 The local funding scheme has been well publicised via news releases, the Council's website and social media and targeted individual contacts with market & street traders, charities and not-for-profit organisations and bed & breakfasts. Despite the targeted awareness-raising, the number of applications received has tailed off significantly in recent weeks. This suggests that most of those who are eligible and wish to apply under the current grant policy have already done so. This leaves the Council with around £530,000 still to distribute. The challenge has been given added focus by the Government announcement in late July that the Local Authority Discretionary Grants Fund, as well as the Small Business and RHL grants funds will close to applications on 28 August 2020.

2.6 In this context, officers have considered how to revise the Council's Discretionary Grant Fund policy in order to widen access to the remaining government grant funding and to enable more applications that can meet the eligibility criteria. The main drivers are to ensure that, as far as possible, the revised policy can be:

- a. effective in supporting the local economy through the Covid-19 disruption;
- b. compliant with the mandatory requirements in the government guidance;
- c. fair and consistent with the first version of the Council's policy; and
- d. clear and understandable, minimising the risk of unintended consequences.

2.7 Appendix C outlines the approach taken to the review and the options considered. This review has concluded that there is a case for making changes to some applicant categories and grant bands – beyond that, most aspects of the existing policy can continue. Sadly, the scale of the economic challenges posed by the

2. The main grounds for ineligible and unsuccessful applications relate to businesses: run from home; not located in Cambridge; already in receipt of Covid-19 grant funding; and unable to demonstrate relatively high fixed property costs or produce supporting evidence.

Covid-19 lockdown mean that the discretionary grant fund cannot address all the difficulties faced by local businesses and the wider local community. That said, the changes being proposed to the Discretionary Grant Fund policy could still make a difference to those who can now benefit from the remaining funding available.

3. Proposals to revise the Council's Discretionary Grant Fund policy

The proposals for the revised scheme are as follows:

- 3.1 To extend grant availability to a new group of eligible small businesses from the following sectors paying business rates for a property in Cambridge with a rateable value of £15,000 or more but below £51,000, namely: the cultural and creative sectors, the technology sector (including information technology and biotechnology), medical services (including dentists, osteopaths, chiropractors and vets) and language schools.
- 3.2 To extend grant-funding availability to eligible charities and not-for-profit organisations in Cambridge with a rateable value or annual rent of £15,000 or more, but below £51,000.
- 3.3 To allow charities or not-for-profit organisations renting dedicated space (with a tenancy agreement) in halls or offices in Cambridge owned by church or faith groups, which are formally exempt from business rates, to receive grant funding, provided that they meet all the other relevant eligibility criteria.
- 3.4 The original priorities for charities, not-for-profit organisations and businesses not paying business rates themselves but physically located in shared/serviced premises in Cambridge that are registered for business rates, otherwise remain substantively the same.
- 3.5 Following previous extensive promotion and follow up for potential applicants, the proposal is to close the application round for market and street traders and bed & breakfasts in Cambridge with immediate effect once the decision on the revised scheme is approved.
- 3.6 Table 1 shows the applicant categories and grant funding levels that will apply in the final phase of the discretionary grant fund. To be eligible for a grant, applicants will need to meet all the relevant eligibility criteria.
- 3.7 The current eligibility criteria and list of exclusions will remain substantially the same, albeit with minor amendments to wording and presentation (see Appendix A).
- 3.8 The final phase of the discretionary grant round **will close to applications at 5.00pm on Friday 28 August 2020 or when the Council has received sufficient applications to make use of all the remaining government funding available, whichever is the sooner.** Applications will not be assessed until a fully completed

application form has been submitted and all evidence required has been provided. Complete applications will be assessed on a ‘first come, first served’ basis. Any applications that are incomplete or have not yet completed the assessment stage by the time that the government funding is no longer available will not qualify for grant funding.

Table 1: Revised applicant categories: see **NEW** category and other **additional text**

Applicant category		Banding	Grant
Small business	Small businesses not paying business rates themselves but physically located in shared/serviced premises in Cambridge that are registered for business rates.	Annual rent below £5,000	£2,500
		Annual rent of £5,000 or more but below £10,000	£5,000
		Annual rent of £10,000 or more but below £51,000.	£10,000
	NEW: Small businesses in the following sectors paying business rates for a property in Cambridge, namely: the cultural and creative sectors, the technology sector (including information technology and biotechnology), medical services (including dentists, osteopaths, chiropractors and vets) and language schools.	Rateable value of £15,000 or more but below £51,000.	£10,000
Charities and not-for-profit organisations	Either paying business rates to the City Council (which are classed as small businesses for rating purposes) Or not paying business rates themselves but physically located in shared/serviced premises in Cambridge that are registered for business rates or explicitly exempted from business rating (e.g, halls & offices associated with places of worship).	In premises with a rateable value or annual rent: 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

Business rated properties include: offices, warehouses & other physical storage buildings, factories, workshops, clinics, surgeries and day nurseries. However, certain other types are excluded, namely: car parks & car parking spaces; public services and utilities; and telecommunication cable networks & telecommunication stations.

4. Risks

Key risks are as follows:

	Risk	Mitigations in place
4.1	The local scheme does not apply government guidance properly. The Government refuses to pay for some grant payments.	The Council's original policy (9 June 2020) reflected government guidance at the time. The proposed revisions reflect current guidance.
4.2	The Council has to return some of the discretionary grant funding to the government because insufficient eligible applications are received.	Mitigated by proposing a revised policy to widen access to grants. The policy will be kept under review and changes made, as approved via this decision, to ensure funding is allocated in a timely fashion.
4.3	Too many eligible applications. Cannot pay all these applicants from the government funding available.	The 'first come, first served' approach to grant payments will remain in place and is made clear to applicants.
4.4	The Council pays grants to ineligible applicants in error or to fraudulent applicants.	The policy features clear eligibility criteria and anti-fraud measures. Regular checks are in place to ensure accuracy & consistency and to detect and prevent potential fraud.

5. Implications

- a. **Financial implications:** Around £1.1 million has been made available to the Council for distribution as discretionary grants. Any grant-funding not distributed by the end of the grant fund will need to be returned to the Government.
- b. **Staffing implications:** A dedicated officer team has overseen the development and implementation of the policy and the assessment of grant applications, in addition to existing workloads. This includes managers experienced in co-ordinating a range of large-scale funding programmes and grants schemes, assessing claims, making payments, managing online applications and preventing fraud. Once the local scheme has closed to applications in late August, grant payments made and any required administration in regard to the scheme completed, the officers will return to their normal duties.
- c. **Equality and poverty implications:** The Government's guidance is intended, primarily and predominantly, to meet the needs of business and charities. Paper-based forms and support has been made available to applicants who have not found it easy to apply online.
- d. **Environmental implications:** None for this report.
- e. **Procurement implications:** None for this report.

- f. **Consultation:** There has been no formal consultation, but discussions have taken place with the Business Innovation District, the Chamber of Commerce and the Federation of Small Businesses, as well as other local authorities and the Combined Planning Authority through the Economic Recovery Sub-Group.
- g. **Legal implications:** The 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. Guidance for the Local Authority Discretionary Fund has been set out by the Government and the Council has aligned its policy with this published guidance. The element of local discretion has focussed mainly on setting the level of grants and making local adjustments to the categories of business to be supported. Once these are agreed in Council policy, they are then applied fairly and consistently to all grant applications³. The Council's decision on eligibility and payment is final.

6. Background papers

- Government guidance and FAQs, including “Local Authority Discretionary Grants Fund – guidance for local authorities”, version 2 (22 May 2020), Department for Business, Energy and Industrial Strategy.
- Urgent decision (9 June 2020) taken by the Executive Councillor for Finance and Resources: Criteria and process for the distribution of Local Authority Discretionary grant under Section 31 of the Local Government Act 2003 (reported to the Strategy & Resources Scrutiny Committee on 6 July 2020).
- Discretionary Grant Fund policy, version 1 (June 2020), Cambridge City Council.

See also www.cambridge.gov.uk/coronavirus-discretionary-grant-fund

7. Appendices

- Appendix A: Current applicant categories within the Council's existing Discretionary Grant Fund policy (June 2020)
- Appendix B: Current discretionary grant eligibility criteria with amendments for the revised policy
- Appendix C: Approach taken to proposing revisions to the Council's Discretionary Grant Fund policy

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3. The process within the existing policy, whereby unsuccessful applicants can request a reassessment of their unsuccessful application, will continue.

CURRENT APPLICANT CATEGORIES WITHIN THE COUNCIL'S EXISTING DISCRETIONARY GRANT FUND POLICY (JUNE 2020)

Applicant category	Banding	Grant
Small businesses in shared or serviced premises not paying business rates themselves but physically located in shared/serviced premises in Cambridge that are registered for business rates.	Annual rent 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 & street traders with a signed licence agreement with (or street trading consent from) the City Council who were in business on 11 March 2020.	Basic payment plus payment to account for variation in number of days and pitches etc.	£1,000 plus 10% of annual rent invoiced in 2019/20
Bed and Breakfasts registered with the City Council's Environmental Health service on 11 March 2020 and registered for Council Tax.	Applies to all eligible B&Bs	£2,500
Charities and not-for-profit organisations EITHER paying business rates to the Council (would meet the criteria to receive Small Business Rate Relief if an equivalent sized business). OR not paying business rates themselves but physically located in shared/serviced premises in Cambridge registered for business rates.	EITHER in premises with a rateable value OR annual rent of: • Below £5,000	£2,500
	• £5,000 or more, but below £10,000	£5,000
	• £10,000 or more, but below £15,000	£10,000

Exclusions: The policy also lists those who do **not** qualify for a grant, for example:

- applicants who do not intend to continue to operate in Cambridge in future;
- Bed & Breakfasts not registered with Environmental Health at the City Council⁴;
- 'AirBnB' properties;
- those who pay for a chair (say, in a salon) as opposed to exclusive occupation of a defined space in shared/serviced premises;
- those in the 'small businesses' applicant category not run from rented shared/serviced premises in Cambridge, but which are run from home⁵;
- home-workers who rent a virtual office space/address in Cambridge;
- market and street traders who have surrendered their pitch licence or street-trading consent since 11 March 2020;
- mobile units without an eligible market-trading licence or street-trading consent with the City Council and with no fixed building costs (e.g. food traders).

Appendix B

4. The exclusions relating to B&Bs and AirBnB properties will be combined in a single bullet point, which will also refer to 'similar short-term holiday lettings'.

5. The term 'run from home' will be changed to 'run from a domestic property'.

CURRENT DISCRETIONARY GRANT ELIGIBILITY CRITERIA WITH AMENDMENTS FOR THE REVISED POLICY

As indicated in paragraph 3.7, the current eligibility criteria and list of exclusions will remain substantially the same, albeit with minor amendments to wording and presentation. Amendments are shown in ***bold italics*** below.

Applicants must complete the application form; meet all the relevant eligibility criteria and provide the necessary supporting information and evidence.

Criteria applying to ALL applicant categories

1. Those eligible for other current grant schemes relating to Covid-19, such as Retail, Hospitality and Leisure Grants or the Small Business Grants, are ineligible for this discretionary grant funding. **BUT** those eligible for or in receipt of funding from the Job Retention Scheme or the Self-Employed Support Scheme **are** eligible for discretionary grants.
2. Was ***trading***/operating on 11 March 2020 and intends to continue to ***trade***/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.

The revised policy will clarify the purpose, using the following wording instead: “The business must not be a wholly owned subsidiaries of another company or parts of a recognised group of companies in common ownership that would not qualify as a small business”.

4. With the exceptions set out in criteria 10d ***and 10e (the reference here to the exceptions in criteria 10d and 10e will be removed in revised policy)***: 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.
7. Has fewer than 50 employees.
8. Has relatively high on-going fixed property-related costs (as well as rental or mortgage costs, this can include storage, pitch rental or mooring fees).
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 particular applicant categories in the current scheme

Criteria 10a, 10b, 10c and 10e will all be deleted in the revised policy.

10d will be renumbered as criterion 10.

- 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. ***(To be retained in revised policy and renumbered) Tenants in shared/serviced premises (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 premises) must be less than £15,000 (Fifteen thousand pounds).

APPROACH TAKEN TO PROPOSING REVISIONS TO THE COUNCIL'S DISCRETIONARY GRANT FUND POLICY

The main drivers and the key conclusions are summarised in paragraphs 2.6 & 2.7 of the main report, while the proposals arising from it are set out in Section 3.

C1. Initial options

- C1.1 **Do nothing:** Although possible, it would not help businesses, charities and not-for-profit organisations in the city missing out on previous grants or grants under the current policy. Application numbers have dwindled under the current policy despite focussed promotion and individual contacts.
- C1.2 **Use the remaining grant funding to top up the grant levels for those who have already received grants:** Although this option is being considered by some local authorities, this is most suitable for those councils who originally opted for a single grant level below £10,000 across all applicant categories. Most councils taking this approach tend to be sticking to £10,000 as their maximum grant level⁶. In Cambridge, the Council's current policy already provides different grant funding levels (including £10,000 grant payments), recognising variations in the levels of fixed costs incurred by different applicant categories. Increasing grant levels above £10,000 would create an inconsistency with the grants provided by the Council under the previous Small Business and Retail, Hospitality and Leisure grants.
- C1.3 **Do something:** In broad terms, possibilities include changes to: applicant categories; banding levels (minimum and maximum thresholds); grant-funding levels; eligibility criteria; or a combination of these possibilities. This needs to be considered in the context of five factors set out below. In practice, the scope for change is more limited.

C2. Factors taken into account when considering policy changes

- C2.1 **Support within the local economy:** The development of the local discretionary grant scheme has been informed by economic analysis and feedback from local business networks. The Executive Councillor has also expressed particular concerns about the difficulties posed by the Covid-19 lockdown for local small businesses in the cultural & creative sector⁷, the technology sector⁸ and by medical services⁹ and language schools.

6. The government guidance in May 2020 provided councils with three options of funding levels for grants: £25,000; £10,000 or below £10,000.

7. Including artistic creation, arts facilities and performing arts.

8. Including information technology and biotechnology.

9. Including dentists, osteopaths, chiropractors and vets.

- C2.2 **Recent changes to government guidance:** Since the Council's Discretionary Grant Fund policy was agreed in early June, the Department of Business, Energy and Industrial Strategy (BEIS) has published further clarifications, which has focussed the mandatory requirements on three key points, namely that businesses:
- eligible for other Covid-19 grants¹⁰ are ineligible for discretionary grants
 - are ineligible if in administration, insolvent or a striking-off notice has been made
 - need to have been trading on 11 March 2020.

At the same time, the clarifications reiterate that the discretionary grants scheme is primarily and predominantly for those who fit into the government's priority groups.

In late July, the Secretary of State announced that the Discretionary Grant Fund, along with the earlier Small Business and RHL grant funds, will close on 28 August 2020. It has become clear that this deadline is for payments: the application deadline will need to be earlier. Any unpaid grant funds will need to be repaid to the Government.

- C2.3 **Continuity with the original grant scheme where appropriate:** Whilst the scheme does provide councils scope for discretion, this needs to be set within the context of the guidance priorities and the current local grant scheme.
- C2.4 **Opportunity to address gaps:** The need for grant schemes to be issued in haste to meet Covid-19 impacts has resulted in the recognition of some gaps in support. Some small businesses paying business rates have missed out on both the earlier Covid-19 funds and the discretionary grants. While the RHL fund provided grants to businesses with a rateable value of up to £51,000, the upper limit to qualify for a Small Business grant was a rateable value of £15,000. The Council is also aware of a small number of applicants renting dedicated space in a church hall or office (with a formal tenancy agreement) who might otherwise have qualified had it not been for the fact that church properties are exempted from being registered for business rates. The current Cambridge Discretionary Grant Fund policy requires the landlords of rented shared/serviced premises to pay business rates.
- C2.5 **Balancing grant eligibility and funding capacity:** This is important in order to secure sufficient applications to enable the Council can make full and appropriate use of the grant funding available in the context of the Government's 28 August 2020 application deadline. The proposals under 3.1 and 3.2 of the main report aim to achieve parity between the upper limits available to small businesses and charities & not-for-profit organisations and focus new business applications to particular sectors.

10. Apart from the Self-Employed Income Support or Coronavirus Job Retention Schemes.