

This Report will be made public on 22 May 2020



Report Number **C/20/07**

From: Councillor David Monk
Date: 22 May 2020
Status: Urgent Key Decision
Corporate Director: Ewan Green, Director - Place

SUBJECT: Folkestone & Hythe District Discretionary COVID-19 Business Grant Scheme

SUMMARY:

This report sets out proposals for how Folkestone & Hythe will use the additional 5% 'top-up' to the funding for Small Business Grant (SBG) and Retail, Leisure and Hospitality Grant (RLHG) schemes allocated to local authorities for a discretionary COVID-19 business grant scheme.

REASONS FOR RECOMMENDATIONS:

The Leader is asked to agree because the government requires local authorities to set out the approach and criteria to be adopted for making business grants and their district.

RECOMMENDATIONS:

1. To adopt the criteria and approach for the Folkestone & Hythe COVID-19 Discretionary Grant Scheme (DGS) as set out in this report.
2. To adopt the criteria set out section 3 for the level of grant awarded under the Folkestone & Hythe COVID-19 Discretionary Grant Scheme (DGS)
3. To agree that the final decision to award a grant be delegated to the Director of Place in consultation with the Leader.

1.0 INTRODUCTION

1.1 In March 2020 the Government introduced a number of financial support measures for small business as a result of the economic impact of the COVID-19 pandemic. This included providing the following business grants in the 2020/21 financial year

1. **Small Business Grant (SBG)** – a £10,000 grant for businesses in England in receipt of either Small Business Rates Relief (SBRR) or Rural Rates Relief (RRR) that were in the business rates system on 11 March 2020.
2. **Retail, Hospitality and Leisure Grant (RHLG)** – businesses in receipt of the Expanded Retail Discount on 11 March 2020 in properties with the following Rateable Value (RV) will be eligible for the following grants:
 - i. RV up to and including £15,000 will receive a grant of £10,000
 - ii. RV over £15,000 and less than £51,000 will receive a grant of £25,000

1.1. Local authorities were allocated the funding to administer these grants to business within their local authority areas on behalf of government. Folkestone and Hythe District Council received £28,800,000 to distribute to 2,332 businesses that the government estimated would qualify for these grants. Since then there has been further reconciliation of the number of eligible businesses and this now stands at 2,198 and the council has distributed 93.85% of grants.

1.2. In recognition that many small businesses have not qualified for these grants, the government has announced an additional 5% funds to each local authority on 1st May 2020. This was to support some of the small businesses that did not qualify for the original scheme. Based on the most recent data, this equates to an additional £1.292 million for Folkestone & Hythe district.

1.3. The Government has indicated that local authorities should use up the remainder of the allocation for the top-up scheme first and that where local authorities 'have or plan to spend all of the grants fund allocation they will receive an additional payment of 5% of their original funding allocation (using a grant under section 31 of the Local Government Act 2003)'.

1.4. Government guidance for this top-up grant scheme was published on 13 May 2020 and this gives local authority some discretion on how to allocate the grants. However, there is a requirement that local authorities:

"set out the scope of their discretionary grant scheme on their website, providing clear guidance on which types of business are being prioritised, as well as the rationale for the level of grant to be provided"

1.5. Under this scheme local authorities are able to:

"disburse grants to the value of £25,000, £10,000 or any amount under £10,000 with the value paid at the discretion of the local authority".

1.6. There are a number of mandatory eligibility criteria indicated in the guidance for local authorities to adopt for their schemes (a to d) and other suggested eligibility criteria:

- a) Businesses not in receipt of any cash grants from any central government COVID-related scheme (excluding the Coronavirus Job Retention Scheme)
- b) Businesses trading on 11 March 2020
- c) Businesses not in administration, are insolvent or where a striking-off notice has been made
- d) Businesses eligible for grants under the EU State Aid De Minimis rules or the COVID-19 Temporary Framework for UK Authorities
- e) Businesses classified as small or micro businesses (as defined in Section 33 Part 2 of the Small Business, Enterprise and Employment Act 2015 and the Companies Act 2006)
- f) Businesses which occupy property, or part of a property, with a rateable value or annual rent or annual mortgage payments below £51,000

1.7. The guidance suggests that in using their discretion in allocating the grants, local authorities should take into account:

- The severity of the COVID economic impact, including whether they have had to close their business completely or are unable to trade on line and the scale of the impact.
- The level of fixed costs of the business
- The number of employees in the business
- The importance of the business in the local economy

1.8. While the guidance indicates that allocating grants is at the discretion of the local authority (and even goes so far as to say ‘ there will be no penalty for local authorities because of their use of discretion to prioritise some business types’) the government asks local authorities to prioritise the following types of business:

- **Located in shared offices or other flexible workspaces**, such as in units in industrial parks, science parks and incubators which do not have their own business rates assessment;
- **Regular market traders** with fixed building costs, such as rent, who do not have their own business rates assessment;
- **Bed & Breakfasts** which pay Council Tax instead of business rates; and
- **Charity properties** in receipt of charitable business rates relief which would otherwise have been eligible for Small Business Rates Relief or Rural Rate Relief.

1.9 Having reviewed the Government guidance, Officers have developed proposed criteria and award levels for the discretionary programme. This has taken into account the types and number of businesses across the District, the level of funding available to the Council and what is considered a reasonable assessment of the of both loss of income and fixed costs in relation to overheads.

2. CRITERIA FOR THE FOLKESTONE & HYTHE SCHEME

2.1. It is recommended that the Folkestone & Hythe COVID Discretionary Business Grant includes all those types of business recommended for prioritisation as set out in the government guidance.

2.2. In addition, it is proposed that businesses in the creative, digital, media & IT sector, which is a key sector for the district economy are also included as a priority group for the district scheme. Many of the businesses in this sector are small or micro businesses that are part of the 'gig economy, and are often run from residential addresses, as well as from small business units.

2.3. The following categories of businesses listed below are therefore those which are proposed as eligible for the Folkestone & Hythe COVID Discretionary Grant Scheme:

- **Businesses in shared workspaces**, such as in industrial park, science park or business incubators.
- **Bed & Breakfasts** which pay Council Tax instead of business rates;
- **Regular market traders** with fixed building costs, such as rent, who do not have their own business rates assessment. This scheme will only apply to those with a business address in the district.
- **Charity properties** in receipt of charitable business rates relief which would otherwise have been eligible for Small Business Rates Relief or Rural Rate Relief.
- **Creative businesses** (as defined by the Kent County Council 2007 SIC definition) that are based in residential or business premises with a rateable value or annual rent or annual mortgage payments below £51,000.
- **Retail, Leisure and Hospitality businesses** that are ineligible for the SBG and RLHG grant schemes because they were not included in the business rates register on 11 March 2020.

2.4. An estimation of the number of businesses within each of the categories above in the Folkestone & Hythe District is shown in the table below

Businesses in Shared workspaces	181 businesses (headcount <50 & have not received an SBG) - 149 businesses (up to 5 employees); 17 businesses (6-11 employees); 15 businesses (11 – 49 employees)
Bed & Breakfasts	28
Market Traders – business address in district	Unknown
Charity properties	52
Creative businesses*	101 businesses (headcount <50 & not in shared workspaces) - 81 (up to 5 headcount); 12 businesses (6-11 headcount); 8 businesses (11 – 49 headcount)*
Retail, Leisure and Hospitality businesses not qualifying for SBG/RHLG	<10 (based on local intelligence)

Source: Folkestone & Hythe 2019 IDBR; * KCC Creative Industries definition – see Appendix A;

2.5. It is proposed that a straightforward and transparent approach is taken to determining the level of grant awarded to eligible businesses. This offers the benefit of quicker decision-making (than would be the case if a more complex

scoring system was introduced) and getting these funds to businesses that are in need more quickly.

- 2.6. It is recommended that the district's scheme opens as soon as possible to applicants and has an initial deadline of three weeks after launch. This will encourage businesses to apply for the grant as soon as possible and it leaves open the possibility of either extending the deadline or having a second round of funding for a potentially wider group of businesses that don't meet the criteria set out above or awarding second business grants. Therefore the scheme will be kept under review and be subject to amendment if required. It is also proposed that the council indicates that it might exert the right to amend or close the scheme early, if it is receiving greater than anticipated demand for the scheme. This will ensure that the council is not liable for any additional claims beyond the funding the council has been allocated.

3. GRANT LEVEL AWARDS IN THE FOLKESTONE & HYPHE SCHEME

- 3.1. Folkestone & Hythe businesses will only qualify for this grant if they are:

- Operating from premises within the Folkestone & Hythe district;
- Classify as a small or micro businesses (as defined in Section 33 Part 2 of the Small Business, Enterprise and Employment Act 2015 and the Companies Act 2006);
- Have not received any cash grants from any central government COVID-related scheme (excluding the Coronavirus Job Retention Scheme);
- Were trading on 11 March 2020 (as defined by government guidance);
- Not in administration, are insolvent or do not have a striking-off notice;
- Eligible for grants under the EU State Aid De Minimis rules or the COVID-19 Temporary Framework for UK Authorities;
- Occupy property, or part of a property, with a rateable value or annual rent or annual mortgage payments below £51,000.

- 3.2. It is proposed that three levels of grant are awarded - £25,000, £10,000 and £5,000 and that the following criteria need to be met for the grant award at these different levels. A business will be eligible for only a single grant under this scheme.

£25,000 Grant award

- 3.3. It is proposed that businesses are awarded grants of £25,000 where:

- 1) The business falls within the definition of a 'small business' (as defined in Section 33 Part 2 of the Small Business, Enterprise and Employment Act 2015 and the Companies Act 2006) and has to meet at least two of the following criteria:
 - Turnover in 2019/20: between £632,001 & £10,000,999
 - Balance sheet total in 2019/20: of between £316,001 and £50,000,999
 - Employee headcount of between 11 and 49 employees on 11 March 2020
- 2) The impact of the COVID pandemic has resulted in around a 25% loss of turnover or income in the 2 month period from 1st March 2020 to 31 April 2020 compared to the same period in 2019.

- 3) Fixed business costs (including rent or mortgage payments) account for at least around 20% of the monthly outgoings

£10,000 Grant award

3.4. It is proposed that businesses are awarded grants of £10,000 where:

- 1) The business falls within the definition of a 'micro business' (as defined in Section 33 Part 2 of the Small Business, Enterprise and Employment Act 2015 and the Companies Act 2006) and has to meet at least two of the following criteria:
 - Turnover in 2019/20: between £150,000 and £632,000
 - Balance sheet total in 2019/20: between £75,000 and £316,000
 - Employee headcount of between 6 and 10 employees on 11 March 2020
- 2) The impact of the COVID pandemic has resulted in around a 25% loss of turnover or income in the 2 month period from 1st March 2020 to 31 April 2020 compared to the same period in 2019.
- 3) Fixed business costs (including rent or mortgage payments) account for at least around 20% of the monthly outgoings.

£5,000 Grant award

3.5. It is proposed that businesses are awarded grants of £5,000 where:

- 1) The business falls within the definition of a 'micro business' (as defined in Section 33 Part 2 of the Small Business, Enterprise and Employment Act 2015 and the Companies Act 2006) and has to meet at least two of the following criteria:
 - Turnover in 2019/20: Up to £150,000
 - Balance sheet total in 2019/20: Up to £75,000
 - Employee headcount up to 5 employees on 11 March 2020
- 2) The impact of the COVID pandemic has resulted in around a 25% loss of turnover or income in the 2 month period from 1st March 2020 to 31 April 2020 compared to the same period in 2019.
- 3) Fixed business costs (including rent or mortgage payments) that account for around 20% of the monthly outgoings.

3.6. Based on the estimated numbers of businesses within the categories identified above in para 2.6 and estimations of the likely grant award applicable (base on headcount), it is calculated that if all businesses applied for and were eligible for grant funding, this could total £2.5 million. This compares to an estimated government allocation of £1.292 million. However, it is expected that many of these businesses would be eligible on the basis of the other criteria proposed, namely the level of income loss and fixed costs.

4. APPLICATION PROCESS FOR THE FOLKESTONE & HYTHE SCHEME

- 4.1. It is proposed that businesses apply for this grant scheme using an electronic application form that will be accessed via the Business Rates section of the corporate website. Reference will also be made to the scheme on the Folkestone.works website with links provided to the application form.
- 4.2. The application form will seek the information required to check the eligibility of the business for the grant and criteria for the level of grant award.

- 4.3. In the application process the applicant will be required to provide the required evidence to support eligibility of the organisation and the level of grant award being sought.
- 4.4. It is proposed that the assessment of applications is led by the Economic Development team with support provided by Business Support and Communications for developing the application form and putting on the corporate website, and from the Business Rates team for checks of applicant details and payment of grants.

5. DECISION-MAKING PROCESS FOR THE FOLKESTONE & HYTHE SCHEME

- 5.1. The assessment of individual applications to the scheme will be carried by the Economic Development Team, against the stated criteria above, and recommendations made to a consultative panel comprising the Leader and Director of Place.
- 5.2. It is proposed that the final decision to award a grant be delegated to the Director of Place in consultation with the Leader.
- 5.3. It is proposed that Decision Panel meetings are arranged weekly during the three weeks that it is initially planned to run the scheme.

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

Legal Officer's Comments (NE)

- 6.1. The Department for Business, Energy and Industrial Strategy produced the "Local Authority Discretionary Grants Fund – guidance for local authorities" on 13 May 2020. The Council needs to ensure that the criteria in relation to grants is in accordance with the guidance.

Finance Officer's Comments (SB)

- 6.2. Where an authority has already used their grant fund allocation for the SBGF and RHLGF, local authorities will receive an additional payment of 5% of their initial funding allocation; up to £1.44 million for FHDC. Any remaining balance from the initial grant fund allocation of £28.8m will need to be utilised in the first instance, up to the 5% cap, before any additional funding is received. The government will continue to monitor each local authority's spend performance for the SBGF and RHLGF and the Local Authority Discretionary Grants Fund to ensure they have sufficient funding and the correct 5% cap for the Discretionary Grants Fund and they will top up funding where necessary. The government will fully fund grant payments made up to 5% of the initial allocation and there should be no monetary cost to the Council for administering the grant scheme

Communications Officer's Comments (KA)

- 6.3. The communications team would be happy to support and promote this scheme.

7. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer:-

Dr Katharine Harvey, Chief Economic Development Officer
 Telephone: 01303 853287
 Email: katharine.harvey@folkestone-hythe.gov.uk

Background documents: Grant Funding Schemes Local Authority Discretionary Grants Fund – guidance for local authorities BEIS 13 May 2020
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/885011/local-authority-discretionary-grants-fund-guidance-local-government.pdf

APPENDIX A – KCC’s Creative Industries definition based on 2007 SIC

Creative Industries Group	Industry code	Industry description	Creative Intensity
Advertising & Marketing	70.21	Public relations and communication activities	59.3%
	73.11	Advertising agencies	50.5%
	73.12	Media representation	48.3%
Architecture	71.11	Architectural activities	61.5%
Crafts	32.12	Manufacture of jewellery and related articles	56.2%
Design; product, graphic & fashion design	74.1	Specialised design activities	62.1%
Film, TV, video, radio & photography	59.11	Motion picture, video and television programme production activities	56.4%
	59.12	Motion picture, video and television programme post-production activities	56.4%
	59.13	Motion picture, video and television programme distribution activities	56.4%
	59.14	Motion picture projection activities	56.4%
	60.1	Radio broadcasting	62.7%
	60.2	Television programming and broadcasting activities	53.5%
	74.2	Photographic activities	77.8%
IT, software & computer services	58.21	Publishing of computer games	43.1%
	58.29	Other software publishing	40.8%
	62.01	Computer programming activities	55.8%
	62.02	Computer consultancy activities	32.8%
Publishing	58.11	Book publishing	49.9%
	58.12	Publishing of directories and mailing lists	31.0%
	58.13	Publishing of newspapers	48.8%
	58.14	Publishing of journals and periodicals	58.3%
	58.19	Other publishing activities	37.8%
	74.3	Translation and interpretation activities	82.2%
Museums, Galleries & libraries	91.01	Library and archive activities	23.8%
	91.02	Museum activities	22.5%
Music, performing & visual arts	59.2	Sound recording and music publishing activities	54.1%
	85.52	Cultural education	34.6%
	90.01	Performing arts	78.8%
	90.02	Support activities to performing arts	56.8%
	90.03	Artistic creation	91.5%
	90.04	Operation of arts facilities	38.4%

Source: Kent County Council, Creative Industries in Kent, Statistical Bulletin, Dec 2019;

https://www.kent.gov.uk/_data/assets/pdf_file/0003/87429/Creative-Industries-statistics.pdf

