



City of Westminster Cabinet Member Report

Decision Maker: Cabinet Member for Finance, Property and Regeneration

Date: 16 December 2020

Classification: General Release

Title: New Business Grants – Discretionary Schemes

Wards Affected: All

Financial Summary: The cost of the discretionary schemes will be met from fixed funding allocations from central government. Therefore there will no financial implications for the Council's finances.

Report of: Martin Hinckley
Director of Revenues & Benefits

1. Executive Summary

- 1.1 This report seeks approval of proposals to allocate grants under two recently announced government discretionary business grant schemes.
- 1.2 The new government mandatory business grant schemes (the “National Lockdown” grant and the “Sector” grant (for nightclubs and sexual entertainment venues) are being administered by the Council in accordance with the government’s prescribed criteria and are not affected by this report. The Council is awaiting further guidance on a further new “wet pub” grant, although it appears this will also be a mandatory scheme grant and so will again not be affected by the proposals in this report.

2. Recommendation

- 2.1 That the two proposed discretionary schemes as outlined in Section 5 of this report are approved.

3. Reasons for Decision

- 3.1 The two proposed schemes seek to provide the most appropriate method to support the types of business that the government has requested that local authorities support within the Council's relatively small funding allocations.

4. Background

- 4.1 At the start of the pandemic, the council administered three government business grant schemes (the Small Business Grant Fund, the Retail, Hospitality and Leisure Grant and the Discretionary Grant Fund). This exercise was considered to be a success, with the City Council allocating over £100M in mandatory and discretionary grants before the schemes finally closed on 30 September 2020.
- 4.2 The introduction of the government's 3 Tier structure has subsequently resulted in the government introducing four new grant schemes. Two of the grants are mandatory (the Addendum: Local Restriction Support Grant (Closed) otherwise known as the "National Lockdown" grant and the "Local Restriction Support Grant (Sector) grant (for nightclubs and sexual entertainment venues). These two mandatory schemes are currently being administered by the Council in accordance with the government's prescribed eligibility criteria and rules and do not form part of the recommendations of this report.
- 4.3 In addition to the two mandatory grants, the government has allocated fixed amounts of funding to two new discretionary schemes. The Local Restrictions Support Grant (Open) (otherwise known as the "Tier 2" grant) and the Additional Restrictions Grant (ARG) grant. It is these two discretionary grants that are addressed within this report.
- 4.4 The council has been awarded £3.8m for the "Tier 2" grant for the period between the Council entering Tier 2 and subsequently moving into the national lockdown. It is currently envisaged that we will receive a further funding allocation for each 28-day period the Council remains in Tier 2 (or Tier 3) after national lockdown. The actual amount of funding has not yet been announced by central government; however the Council expects to receive an estimated £5M per each full 28-day period. Unfortunately, the level of funding calculated by central government is believed to be seriously flawed. The government's funding calculation is based on the Valuation Office's property categorisations / SCAT codes which are known to be inaccurate. This has been confirmed by the Valuation Office, who have publicly stated that their data should not have been used to calculate the levels of grant funding. The government initially suggested specific levels of grant that should be awarded to eligible businesses. However, due to the flawed funding formula, there is a significant risk that the Council will overspend our funding allocation and therefore incur additional expenditure. The government have subsequently moved away from their initial announcement regarding specific values of grants to be awarded and have instead confirmed that the scheme is

discretionary, both in terms of which businesses local authorities should support and at what level of grant.

- 4.5 The Council's ARG funding allocation has been based on a government formula of £20 per head of population. It is not logical to use population as a basis for calculating a business support scheme. Westminster collects 8.6% of the national NNDR debt, if this percentage was applied to the national ARG funding envelope, the Council would have received £95M rather than the £5.2M allocated to the Council.
- 4.6 The council has lobbied central government to correct this anomaly, but currently without success. If the Council is subsequently successful with its lobbying, it is expected that the government will need to make any additional funding available outside of the ARG scheme. Any such additional funding will be addressed through a separate future Cabinet Member report.

5. The Proposals

- 5.1 The proposals outlined below seek to ensure that whilst the two schemes are discretionary for local authorities to determine, the schemes should follow, as far as possible, central government's expectations of which types of businesses should be supported.

5.2 LRS (Open) ("Tier 2") Discretionary Scheme

- 5.2.1 As outlined in section 4 of this report, the "Tier 2" grant is flawed in relation to its funding formula. Therefore it is considered that the Tier 2 discretionary grant funding should not be utilised to fund the government's original suggested level of grant per rateable value range (the government have since now moved away from their original suggestion and confirmed that the scheme is discretionary).
- 5.2.2 Whilst the Tier 2 scheme is discretionary, it is considered that the Council should not move too far away within its discretion from the underlying principle of the grant as outlined in the government guidance, i.e. **"to support hospitality, hotel, bed & breakfast and leisure businesses that have been severely impacted by the restrictions"**. In order to achieve this aim, it is proposed to allocate the discretionary grant to a subset of the businesses that have qualified for the national lockdown grant, i.e. those businesses that can be regarded as "hospitality, hotel, bed & breakfast and leisure businesses".
- 5.2.3 The administration of the national lockdown grant should hopefully be completed in January. On the assumption that the Council remains in Tier 2 (or even Tier 3) until the Tier structure ends in February 2021, the Council will have received around £13m in Tier 2 grants. It is proposed that the aggregated funding is allocated across all the **"hospitality, hotel, bed & breakfast and leisure businesses"** that have been granted / or will be

granted the national lockdown grant. The allocation being based on the same rateable value range and ratios as originally suggested by the government.

5.2.4 This option has the following benefits:

- a) It aligns with the government's overall intention of supporting "severely impacted hospitality, hotel, bed & breakfast and leisure businesses".
- b) It does not require a new application process, i.e. awards of grant can be made automatically using the national lockdown award data
- c) It is administratively feasible to achieve, without the need to pay very small grants to a large number of businesses every 28 days.
- d) The grant will be fully utilised by 31 March 2021 (a requirement of the Tier 2 scheme)
- e) The proposed scheme will still work if the Council moves in to either Tier 1 (grant will cease) or Tier 3 (grant will continue) or if central government extends the national Tier structure beyond February 2021.

5.2.5 It is very difficult to assess the number of businesses and how much each business will receive as it will depend on the number of businesses within the relevant sectors that qualify for the "national lockdown" grant.

5.3 The Additional Restrictions Grant (ARG) Discretionary Scheme

5.3.1 The ARG funding can be used by local authorities through to 31 March 2022.

5.3.2 The government has confirmed that, whatever the situation with regard to future national lockdowns or Tier structures, no further ARG funding allocations will be made to local authorities.

5.3.3 It is recommended that the Council's £5.2M ARG funding allocation is used for the payment of grants through an application process for the following types / groups of business:

- Ratepayer or Non-Ratepayer businesses that supply (first tier) the retail, hospitality and leisure sectors and that have not received any other business grants from the council

- Ratepayer or Non-Ratepayer businesses in the Events sector that have not received any other business grants from the council

- Non-ratepayers in non-essential retail, leisure, personal care, sports facilities and hospitality business (including, hotel and bed & breakfast accommodation & leisure businesses) which are effectively forced to close or have been severely impacted by the restrictions and have not previously received a Discretionary Grant Fund award from the council.

5.3.4 In order to support as many businesses as possible, it is proposed that the grant awards will be for a set amount of £2000 per business, meaning that in total 2600 will be supported by the ARG. For businesses that have more than one property. the award limit will be applied to the business rather than

against each individual property. It is considered that this will allow the estimated level of funding to support as many businesses as possible, whilst at the same time providing a reasonable level of funding for each successful applicant.

- 5.3.5 It is uncertain as to the total number of businesses who would fall within the above identified categories to be supported by the ARG and therefore it is difficult to be able to gauge what the level of demand for the grant scheme will be. It is however, anticipated that the Council will receive more applications than it can fund through the Council's ARG funding allocation. Therefore, it is proposed that the Business & Enterprise Team will administer the grant scheme in three rounds of approx. 870, on a "first come first served" basis via an online application process. Only businesses who meet the eligibility criteria and provide the requested documentary evidence will be able to successfully submit an application form (the acceptance date that will be used is when a valid application is received – therefore any invalid application submitted that is subsequently amended and made valid will have be considered from the 'valid date' and not from when it was first submitted). Once 870 valid applications have been received the application portal will be closed for each round. Adopting this method of administration will enable the team to manage the demand of applications and ensure that the grants are administered in a timely and effective manner. This method of administration has been adopted by some other local authorities, such as Camden, as well as the London Business Hub in the administration for the Mayor's Resilience Fund – both of which have proven to be successful and effective.
- 5.3.6 It is proposed that the funding allocation should be phased in its administration , which will have its benefits. Should the City Council administer the ARG imminently, the funding may be lost to businesses who are already on the brink of failure and do not have the viability to survive even having been awarded funding. Additionally, with the UK exiting the EU on 31st December 2020, coupled with the impacts of the pandemic, hardship will be augmented for many of these businesses. It is anticipated that this will be the last round of funding for some time being given to local authorities from the government, hence an expiration date for spend of 31st March 2022. This phased method of administration of the grant scheme will result in the funding lasting for a longer period of time in line with subsequent lockdowns and waves of the pandemic. It is therefore anticipated that this method of administration will enable us to provide meaningful financial support to businesses who have the viability to survive and continue to contribute to the Westminster economy.

5.3.7 In order for an application to be accepted as valid, the Council must be satisfied, partly through the provision of suitable documentary evidence, that the application meets all of the following criteria:

- a) The business is solely or mainly based in Westminster
- b) The business has experienced a significant fall in their business income
- c) The business falls within one or more of the named categories in paragraph 5.3.3 of this report
- d) The business has taken steps to reduce its costs as far as practically possible.
- e) The business is currently operational / trading at the property
- f) The business has provided the requisite data required by the government for grant applications

5.3.8. In the unlikely event that the Council does not utilise all of its funding allocation based on the outlined criteria, it will be possible to propose a further set of eligibility criteria for the remaining rounds of applications. If this situation were to arise, a further Cabinet Member report would be produced to agree the relevant “second round” eligibility criteria.

5.3.9 The proposed process of “first come first served” valid applications will not require an evaluation process as such, but it is recommended that the Business & Enterprise team, will seek final determination of grant awards through joint Cabinet Member reports to the Cabinet Member of Finance, Property & Regeneration and the Cabinet Member of Business & Planning.

5.3.10 It is proposed that there will no appeal process in relation to the decisions of the Council in respect of unsuccessful applications or in relation to the level of grant awarded. This will mirror the government’s mandatory grant schemes.

6. Financial Implications

6.1 The two discretionary grant schemes are funded by fixed allocations of central government funding. The Council’s proposals for both discretionary schemes as outlined in this report will ensure that the two funding envelopes are not overspent. Therefore there will be no direct impact on the Council’s financial position.

6.2 The government have committed to provide New Burdens funding to assist with the cost of administering the two discretionary schemes.

7. Legal Implications

- 7.1 Localised restrictions are legally binding restrictions imposed on specific Local Authority areas or multiple Local Authority areas, where the Secretary of State for Health and Social Care requires the closure of businesses in a local area under regulations made using powers in Part 2A of the Public Health (Control of Disease) Act 1984 in response to the threat posed by coronavirus and commonly as part of a wider set of measures.
- 7.2 The two grants outlined in this report offer support to businesses which have been required to close or have been severely impacted because of the formal publication of such local restrictions. The exercise of discretion for Local Authorities making payments under these grants is outlined within the report.

8. Ward Member Consultation

- 8.1 This report relates to all Wards and there is therefore no requirement for separate Ward Member consultation.

9. Outstanding Issues

- 9.1 There are no outstanding issues.

If you have any queries about this report, please contact: Martin Hinckley, on 07816 215828 or via email to

mhinckley@westminster.gov.uk

For completion by the **Cabinet Member for Finance, Property and Regeneration**

Declaration of Interest

I have <no interest to declare / to declare an interest> in respect of this report

Signed: _____ Date: _____
Councillor Melvyn Caplan, Cabinet Member for Finance, Property and Regeneration
NAME: _____

State nature of interest if any

.....

.....
(N.B: If you have an interest you should seek advice as to whether it is appropriate to make a decision in relation to this matter)

For the reasons set out above, I agree the recommendation(in the report entitled **New Business Grants – Discretionary Scheme** and reject any alternative options which are referred to but not recommended.

Signed

Councillor Melvyn Caplan, Cabinet Member for Finance, Property and Regeneration

Date

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

Additional comment:

.....
.....

If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, the Director of Law, the Executive Director of Finance and Resources, and, if there are staffing implications, the Director of People Services (or their representatives) so that (1) you can be made aware of any further relevant considerations that you should take into account before making the decision and (2) your reasons for the decision can be properly identified and recorded, as required by law.

Note to Cabinet Member: Your decision will now be published and copied to the Members of the relevant Policy & Scrutiny Committee. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication to allow the Policy and Scrutiny Committee to decide whether it wishes to call the matter in.