

Audit & Governance Committee

Date of Meeting: 28 January 2021

Report Title: Business Grants – End of Phase 1 Grants - Update

Senior Officer: Alex Thompson Director Finance & Customer Services

1. Report Summary

- 1.1. In response to the Coronavirus pandemic and the restrictions placed on businesses, the Government announced several schemes to provide financial support to those business affected. Grant funding was provided by the Government with responsibility for administering the schemes falling to Local Authorities.
- 1.2. The first of these Schemes was announced in February 2020 and provided support to small businesses and those businesses within the Retail, Leisure and Hospitality Sectors. Further schemes followed to provide wider financial support to businesses affected by the response to COVID-19.
- 1.3. Although there are ongoing schemes, in-light of further restrictions, this report focuses on schemes that have now closed. This report provides a summary of the volume and amount paid in support of businesses, lessons learned through the administration of the scheme and any issues identified through fraud during the period February 2020 to October 2020.

2. Recommendations

- 2.1. That the Committee note the content of the report, including lessons learnt and the actions taken to administer new Business Grants between March and October 2020.

3. Reasons for Recommendations

- 3.1. To provide the Committee with assurance of the financial and administrative processes followed in the delivery of Government business grants.

4. Other Options Considered

4.1. N/a

5. Background

- 5.1. In February 2020 the Government announced funding to support businesses in response to the impact of the Coronavirus pandemic and the subsequent restrictions placed on businesses. Grants were made available to support eligible business in line with the following criteria:
- Small Business Grant - Eligible businesses in receipt of either Small Business Rates Relief (SBRR) or Rural Rates Relief (RRR) in the business rates system - eligible for a payment of £10,000.
 - Retail, Hospitality and Leisure Grant (RHLG) – Eligible businesses that would have been in receipt of the Expanded Retail Discount on 11th March with:
 - A rateable value of less than £15k - eligible for a payment of £10,000
 - A rateable value of over £15k but less than £51k - eligible for a payment of £15,000
- 5.2. In May 2020 the Government announced an additional fund aimed at small and micro businesses who were not eligible for the initial Small Business Grant Fund or the Retail, Leisure and Hospitality Fund. Whilst this Scheme contained some national criteria, Local Authorities were asked to use local knowledge and discretion in determining which cases to support within those criteria.
- 5.3. Cheshire East received funding to the value of £95,514,000 based on the Government's understanding of our need through NNDR3 returns and Valuation Office Agency¹ data. Subsequent guidance removed the possibility to provide payments to certain business which limited the maximum amount payable locally.
- 5.4. Up to 5% of the funding could be utilised for the additional Discretionary payments scheme. The 1st tranche of the funding was received on 25th March 2020 and the remainder on 1st April.
- 5.5. Over the period 3rd April to 29th October 7,794 grants were issued across all grant categories with a total value of £91,813,500. Administration of the Grants was delivered primarily through the Council's Business Rates Team and Economic Regeneration Team (for Discretionary Grants) and with support from

¹ Valuation Office Agency (VOA): responsible for providing the government with valuations and property advice needed to support taxation and benefits. NNDR3: The Local Authorities certified return of their non-domestic rating income and a calculation of the final sums due by way of section 31 grant in compensation for certain Government funded rates relief measures.

the Cheshire and Warrington LEP, local voluntary business organisations, and Council colleagues including the Corporate Contact Centre, Web Team, Audit and Communications.

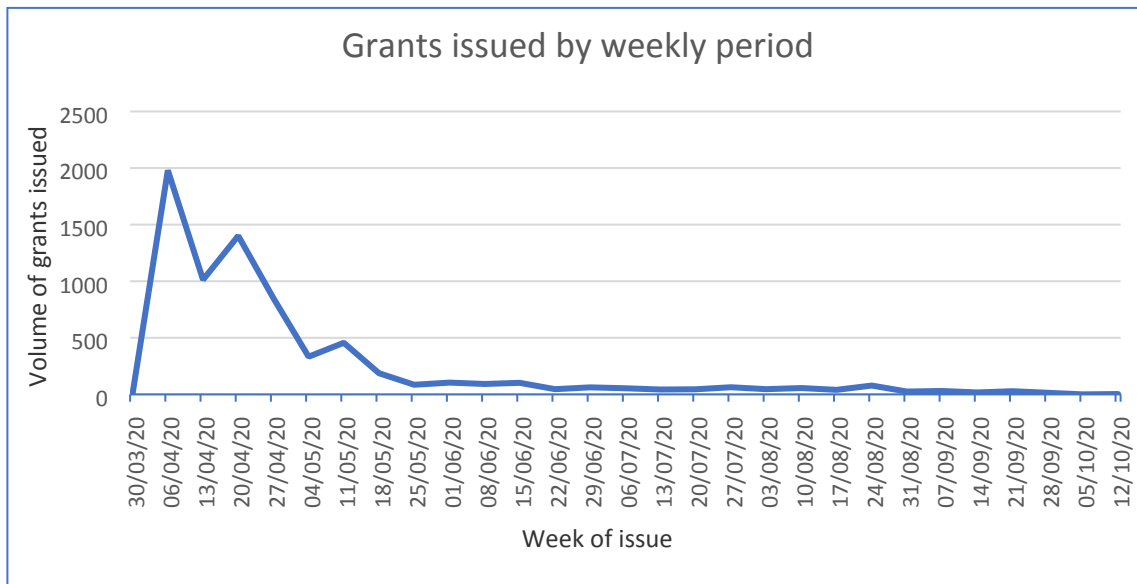
- 5.6. Elected members also supported the process, using their local knowledge to identify businesses closed and to encourage take up by those still operating.

Table 1: Breakdown of Grants

Grant type	No.	Value £
Small Business Rate	5,549	55,490,000
Retail, Hospitality & Leisure	1,706	31,955,000
Discretionary	540	4,368,500
Total	7,794	91,813,500

- 5.7. The majority of eligible businesses were identified through analysis of the business rate database. Application and payment of the grants were facilitated through an online application form and through the banks' BACS payment service.
- 5.8. Over 85% of all grants issued were made within the first 8 weeks following an audit-approved checking process intended to enable speedy payment to local businesses whilst minimising the possibility of fraud.

Table 2: Grants issued by period

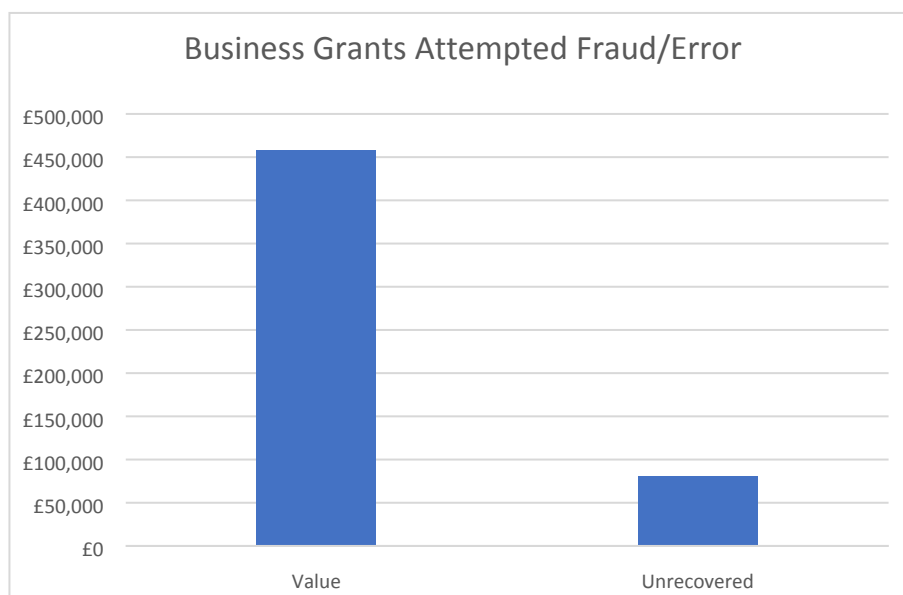


- 5.9. Considerable effort was expended in contacting those businesses that did not initially engage in order to extend funding to as many local businesses as possible. This included email, post and telephone contact, website interrogation, visits where possible and the use of local business agencies and through Council Members.
- 5.10. The grants scheme closed on 30th September and over 97% of businesses considered initially eligible received a grant payment. Those that did not receive a payment are considered to have either closed or moved on without notifying the council.
- 5.11. Challenges and lessons learnt: Internally, the challenge came from a requirement to set up and begin processing the schemes whilst adapting to the new ways of home/mobile working. Externally, initial challenges came from the short notice and lack of guidance provided by government to allow local authorities to set up their grants processes. This in turn led to pressure from stakeholders whose expectations regarding timeframes for payment were unrealistic given the task at hand.
- 5.12. Enquiries from local businesses meant that the Business Rates team experienced a 10-fold increase in enquiries. Despite additional support being provided, the specialism required meant that the team bore the brunt of some desperate business owners.
- 5.13. It was evident that whilst an online form allowed businesses to supply their payment details easily and quickly, hindsight has taught us that the web and

online communications could be clearer in order to prevent high volumes of invalid applications.

- 5.14. Fraud reduction and reconciliation: The internal audit team provided excellent support to the verification process, offering advice, guidance and resource throughout. This enabled us to report minimal incidences of fraud and/or incorrect payment to BEIS via monthly reports.
- 5.15. Of the 7,794 grants issued only 39 were identified as potential fraud or error. Of these only 8 remain unrecovered at this time. The financial impact of this is shown in Table 3

Table 3: Financial impact of Business Grant fraud/error identified



- 5.16. The majority of erroneous payments appeared to be as a result of misunderstanding rather than deliberate fraud however a few fraudulent incidences were identified . As examples:-

- XY Traders have submitted a lease, utility bill and have claimed that they are in occupation of a shop in Macclesfield, the grant has already been paid to BC Ltd who are in occupation of the property. Inspection confirmed that XY Traders were not in occupation of the property.
- Application for grant made by Mr K has supplied bank statements and npower utility bill but the fonts on the address for these did not look correct. Phoned landlord who gave a different name for the occupier however the landlord has now emailed in to say Mr K is the tenant. Monroe (the bank) have now confirmed that the bank statements are forgeries. Grant refused and Internal Audit to consider further action.

- 5.17. A small number of Valuation Office Agency (VOA) issues were anticipated to be outstanding following the closure date. BEIS intended for those to be dealt with as exceptions after the closure date if necessary. Those VOA issues have now been resolved and have been included in the final reconciliation returns to Central Government.
- 5.18. An appeals process was implemented for ambiguous cases whereby the Portfolio Holder for Finance, Communication and ICT and the Director of Finance were able to determine approval or otherwise of some applications. Examples of the appeals process included determining whether businesses met the requirements to be “open to visiting members of the public”, were trading on the date required or should be classified as “retail, leisure and hospitality”.
- 5.19. The Business Rates and Economic Regeneration Teams have been able to use the lessons learnt from the administration of grants between March and October to implement improvements for subsequent grants based on ongoing restrictions to business under COVID-19. The teams continue to support local businesses through the delivery of the next phase of Business Grants announced by the Government including Additional Restrictions Grants, Local Restrictions Grants (Open, Closed and Sectors) and most recently announced the Christmas Support Payment for ‘Wet-led Pubs’. Improvements include a single application form, re-use of existing applications and improved communications to make the process easier for businesses facing difficulties brought about through the response to the pandemic.

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. None

6.2. Finance Implications

- 6.2.1. The reconciliation process ended on 30th October with all necessary returns submitted. Initial guidance had advised that any unspent grant would need to be returned. It is unclear how the initial grant allocations were calculated and there is a lack of confirmation on this from BEIS. The consensus amongst Authorities however is that a combination of VOA & NNDR3 data was used. This would include assessments which did not qualify for the Grants including for example ATM's, stables and empty properties.
- 6.2.2. The majority of Authorities have returned some of their initial allocation. For Cheshire East we anticipate this to be in region of £3.75M or 3.8% of Cheshire Easts total allocation. This places the Council mid table in terms of grant allocation returns with Midlands and Greater Manchester

Councils reporting between 20% and -8% of funds and an average return of 6%.

6.3. Policy Implications

6.3.1. Small Business Grants and Retail, Leisure & Hospitality Grants were issued to eligible businesses as per guidance set by Government. Delegated powers were given to Executive Director of Place in consultation with the Portfolio Holder for Environment and Regeneration and the Portfolio Holder for Communities to determine the Local Discretionary Grants Scheme.

6.4. Equality Implications

6.4.1. n/a.

6.5. Human Resources Implications

6.5.1. None

6.6. Risk Management Implications

6.6.1. None

6.7. Rural Communities Implications

6.7.1. There are no direct implications for rural communities.

6.8. Implications for Children & Young People/Cared for Children

6.8.1. There are no direct implications for children and young people.

6.9. Public Health Implications

6.9.1. There are no direct implications for public health.

6.10. Climate Change Implications

6.10.1. There are no direct impacts on public health.

7. Ward Members Affected

7.1.1. All

8. Access to Information

8.1. n/a

9. Contact Information

9.1. Any questions relating to this report should be directed to the following officer:

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