

STAFFORDSHIRE MOORLANDS DISTRICT COUNCIL

Report to the Audit & Accounts Committee

25th June 2021

TITLE:	Business Grants Process
EXECUTIVE COUNCILLOR	Cllr Sybil Ralphs – Leader
CONTACT OFFICERS:	Joanne Wheeldon – Interim Head of Revenues & Benefits Keith Pointon – Interim Head of Finance
WARDS INVOLVED:	Non-Specific

1. Reason for the Report

- 1.1 The purpose of the report is to provide the Audit Committee with detail of the Business Grants process and mitigation measures in regard to the potential risk of fraud or mis-payment.

2. Recommendations

- 2.1 That Audit Committee note the contents of this report.

3. Executive Summary

- 3.1 In response to the coronavirus pandemic and subsequent national lockdowns and tiered systems that followed from March 2020 onwards, the Secretary of State for Business Energy & Industrial Strategy (BEIS) announced a series of business grant schemes to support businesses through the period of closure. These grants were to be administered by Local Authorities, funded via Government grants.
- 3.2 This report provides a summary of the grant schemes, the process implemented to mitigate against the risk of fraud and mis-payment, information returns requested by Government and a summary of the some of the fraudulent / mis-paid cases identified.

4. How this Report Links to Corporate Priorities

- 4.1 The successful delivery of all corporate priorities is dependent upon the effective management of financial resources, which is the subject of this report.

5. Options and Analysis

- 5.1 There are no options to consider at this stage.

6. Implications

6.1 Community Safety - (Crime and Disorder Act 1998)

None.

6.2 Workforce

A significant number of staff have been diverted to assisting with the Business Grants process since commencement in March 2020

6.3 Equality and Diversity/Equality Impact Assessment

This report has been prepared in accordance with the Council's Equality and Diversity policies.

6.4 Financial Considerations

The Business Grants process has been funded via grants payable from Government

6.5 Legal

None

6.6 Sustainability

The Business Grants process was undertaken fully electronically

6.7 External Consultation

None, although the information that the Council holds in respect of businesses as a result of the process should be analysed and used to assist when focusing on business support.

6.8 Risk Assessment

Risk assessment was undertaken as part of the process set up for each grant scheme – detailed throughout the report. However, with the volume of applications and grants paid, there is a risk that a small amount of fraudulent activity or mis-payment may have successfully taken place.

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Web Links and Background Papers

Government Business Grant Guidance
- <https://www.gov.uk/>

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7. Introduction

- 7.1 In response to the coronavirus pandemic and subsequent national lockdown in March 2020, the Secretary of State for Business Energy & Industrial Strategy (BEIS) announced a business grant scheme to support businesses through the period of closure. These grants were to be administered by Local Authorities, funded via Government grants.
- 7.2 As restrictions were lifted and then further imposed locally and nationally, there have been a series of grants that have been, and continue to be administered over the last 15 months.
- 7.3 This report provides a summary of the grant schemes, the process implemented to mitigate against the risk of fraud and mis-payment, information returns requested by Government and a summary of the some of the fraudulent cases/mis-paid identified.

8. Business Grants Administered

- 8.1 Since March 2020, there have been several grant schemes administered by the Council. The below paragraphs provide a summary of all the various grant schemes, how these were funded and the total grants payments made to date.

Small Business Grants / Retail Grants

- 8.2 During March 2020, as a result of the initial lockdown, the Secretary of State for Business Energy & Industrial Strategy (BEIS) announced two business rates support grants:
- A £10,000 grant to all properties occupied by active businesses in receipt of rural rate relief or small business rates relief including those in receipt of tapered relief.
 - A grant of up to £25,000 to those businesses in the retail, hospitality and leisure sectors:
 - Businesses in these sectors with a rateable value of under £15,000 were eligible for a grant of £10,000.
 - Businesses in these sectors with a rateable value of between £15,000 and £51,000 were eligible for a grant of £25,000.

Discretionary Grants

- 8.3 In May 2020 Government announced an additional 5% uplift to the previous Small Business Grants / Retail Grant funding. This additional fund was aimed at small businesses with ongoing fixed property-related costs who are not liable for Business Rates. Local authorities were asked to prioritise the following businesses:
- Those in shared spaces,
 - Regular market traders,
 - Small charity properties that would meet the criteria for Small Business Rates Relief, and
 - Bed and breakfasts that pay council tax rather than business rates.

- 8.4 The allocation of funding was at the discretion of local authorities. Businesses must be small (under 50 employees) and they must also have been able to demonstrate that they have seen a significant drop of income due to Coronavirus restriction measures.
- 8.5 The Council developed a policy on this basis with a scoring system to determine the amount of grant awarded linked to property costs, number of employees, income loss and status of business (i.e. full closed / partially open etc)

Local Restrictions Support Grants (LRSB)

- 8.6 The LRSB schemes were launched in November 2020. The schemes incorporated:

Local Restrictions Support Grant (LRSB) CLOSED grants

The LRSB CLOSED grant was payable to businesses who were liable for Business Rates who were mandated to close during the second and third national lockdown periods: 5th Nov – 2nd Dec and 4th Jan – 31st March.

Local Restrictions Support Grant (LRSB) SECTOR grants

The LRSB SECTOR grant was payable to businesses who were liable for Business Rates who had not been authorised to reopen since the initial lockdown in March. Such business include nightclubs, discos, late night entertainment venues etc. The grant come into force from 1st November, therefore eligible businesses received a payment from 1st Nov – 4th Nov, but then this grant was superseded by the LRSB CLOSED grant form 5th Nov.

Local Restrictions Support Grant (LRSB) OPEN grants.

Any business who operated in the hospitality, leisure or accommodation sector were awarded an LRSB OPEN grant for the period prior to 5th November when the area was in tier 2 restrictions (31st Oct – 4th Nov) and for the period 2nd Dec – 30th Dec (where businesses were not mandated to close)

Christmas Support Payment

- 8.7 The Christmas Support Payment grant provided funding for local authorities subject to Tier 2 or Tier 3 restrictions in December 2020 to pay one-off grants of £1,000 to wet-led pubs. These are pubs that predominantly serve alcohol rather than provide food and have been severely impacted over the festive season due to temporary local restrictions.

Restart Grant

- 8.8 As Government announced its national roadmap for the gradual lifting of restrictions, it also announcement a 'Restart Grant' to provide funding towards reopening costs for businesses who had been required to close during the lockdown period.

- 8.9 The Restart grant was available to businesses operating in the leisure, hospitality, accommodation, personal care and retail sectors who were liable for Business Rates. Grant awards were based on 3 bandings depending on sector and Rateable Value, ranging from £2,667 - £18,000.

Additional Restrictions Grant

- 8.10 The Government allocated additional discretionary funding to Local Authorities in the form of 'Additional Restrictions Grant' (ARG). The ARG provided additional funding for local authorities subject to national lockdown or Tier 3/4 restrictions, to support businesses that have had their trade affected by the restrictions. This included:
- closed businesses that don't pay business rates
 - businesses that have not been required to close, but are still severely impacted
- 8.11 Each local authority had the discretion to establish business grant schemes or other business support as best fits their area. The Council has administered various schemes utilising ARG funding as outlined below.

Phase 1 – Discretionary Grant

The Council launched Phase 1 of the ARG allocation as a discretionary grant payable for the period 31st Oct – 31st March, to be awarded to:

- Business that ARE NOT LIABLE for Business Rates but were legally required to close during the second/third national lockdowns
- Businesses that WERE NOT legally required to close during the second/third national lockdowns BUT MAINLY SUPPLY the sectors that were mandated to close (suppliers to non-essential retail, leisure, personal care, sports facilities and hospitality businesses)

Phase 2 - Hardship Fund

There were businesses that were not eligible for any of the grant schemes, but had seen a severe financial impact to their business as a result of the restrictions. Therefore, the Council launched a 'hardship fund' in February which comprised 4 themes:

- Grant for licenced local taxi drivers who had NOT had discretionary grants since November
- Grant for home based businesses based in the District AND have had a significant fall in income due to Covid AND have on-going business overheads e.g. insurance, licences etc. (fully open / partial trading / Closed)
- Grant for essential traders who have a permanent shop or market lease agreement AND who have experienced a significant drop in income due to lower footfall
- Grant for exceptional circumstances for SME businesses who are liable for business rates AND who are at significant risk of failure due to Covid AND closure would involve making ten or more people redundant

Phase 3 – Discretionary Restart / Hardship Top-up

To replicate the Government's Restart Grant, the Council also provided an equivalent 'Discretionary Restart Grant' to those businesses who were eligible for the Phase 1 Discretionary Grant as well as a 'top-up' for Theme 2 Hardship applicants.

Government Grant Funding

- 8.12 The Council received funding from government to pay out these grants to Businesses. The funding was based on Government's estimation of the eligibility in the District for the various schemes. There will be a reconciliation process to be undertaken (see section 10) to calculate the actual amount issued against the funding received, with the difference repaid to Government.
- 8.13 The eligibility numbers fluctuated during the grant payment process. One of the common issues in the early part of the process was that the application process drew attention to previously unknown occupation changes. This in turn resulted in the demand for further evidence to demonstrate that the applicant was in occupation and trading on the required date. In addition eligibility numbers have also been reduced by local outlets of national businesses not applying because 'state aid' restrictions.

Summary of grants paid to Businesses

- 8.14 The table below summarises the number and value of grants paid out under each scheme, which demonstrates the magnitude of the process undertaken.

Grant Schemes - SMDC	Number of applications	Value of Grants paid (£)
Small Business Grant	1,486	14,860,000
Retail Grant	415	6,595,000
Discretionary Grant	173	1,102,750
LRSB CLOSED (including SECTOR) Lockdown 2 – Nov 2020	925	1,359,420
LRSB CLOSED (Tiered System Dec – Jan)	1,415	982,738
Christmas Support Payments (Wet Led Pubs)	88	88,000
LRSB CLOSED (including SECTOR) Lockdown 3 – Jan-Mar 2021	1,855	4,175,360
Closed Business Lockdown Payment	927	4,081,000
Restart Grants	889	6,650,725
Additional Restrictions Grant (Discretionary and Hardship Fund)	1,026	2,654,984
TOTAL	9,199	42,549,977

9. Business Grants Process

- 9.1 There has been significant pressure on Local Authorities to ensure that funding was paid to businesses as quickly as possible to support them with payment of fixed costs while income receipts had been severely impacted.
- 9.2 However it was also the responsibility of each Local Authority to ensure that payments were made to eligible businesses only and that adequate checks were undertaken prior to payment being made, as well as relevant post-payment checks.
- 9.3 Prior to the majority of grant payments being made, an application form was required to be completed. The exception being the original Small Business / Retail grant scheme whereby if the Council held bank details on the Business Rates system (for the purposes of Business Rates payments) then payments were automatically issued as eligibility for that scheme was based on being in receipt of either Small Business Rates Relief or Retail Relief. Just over 200 payments were made automatically.
- 9.4 All other grant payments required an application form to be completed and verified prior to payment. Throughout the grants process a significant level of checking has been undertaken both pre and post payment.
- 9.6 Pre-payment checks have involved reviewing the business rates system and other Council systems, and the request of documentation (e.g. lease agreements, bank statements and income/expenditure records) to confirm eligibility and prevent duplicate payments. A review of online records and information sources such as the Companies House database and the analysis of updates from other intelligence sources such as National Anti-Fraud Network (NAFN) has been undertaken to determine whether companies are actively trading.
- 9.7 As part of the payment process, the Creditors section were also able to identify if any duplicate payments were being made based on the referencing system used to upload payments.
- 9.8 Post-payment checks have involved significant use of the Cabinet Office's 'Spotlight' system and the submission of grant payment information via the 'National Fraud Initiative' to identify potential areas of risk in received applications and to facilitate the matching of data from a large volume of public and private sector organisations. Data analysis of the Council's grant payment records has been completed to identify potential duplicate applications (name, address, contact details, property references etc).
- 9.9 The majority of the duplicates identified were legitimate e.g. same person running more than one business, or owners making both mandatory and discretionary grants as they were unsure as to what grant they were eligible for. Where any potentially fraudulent payments were identified, they were referred for further review.

10. Government Returns

- 10.1 As part of the business grants process, Government have required Local Authorities to provide regular information.
- 10.2 Weekly returns have been completed outlining the total grants paid, separated for each category of grant, so progress can be determined on how quickly grants were being paid out to businesses.
- 10.3 BEIS also requires a monthly return of all business support grants paid with full details of the recipients.
- 10.4 Monthly returns were submitted for the initial grant scheme where businesses were in receipt of small business rates relief/retail relief or had been awarded a discretionary grant. The total number of grants paid and the amounts were confirmed along with the numbers where the authority was aiming to recover the grant and where unsuccessful would be passed to BEIS for recovery.
- 10.5 Government also required Local Authorities to develop fraud risk assessments and post payment plans for each scheme. To date, BEIS have requested sample evidence of individual payments for the small business rates relief/retail relief and initial discretionary schemes. This has been completed and submitted to BEIS to satisfy the post payment assurance verification process. It is likely that the same will be required for the LRSG and ARG schemes.

11. Fraudulent / Non-Eligible cases

- 11.1 Whilst a number of pre-payment checks were imposed, there have been a handful on instances where grants have been paid incorrectly.
- 11.2 To date, there are a total of 8 grants that the Council needs to recover (1 has been part paid) which represents less than 0.09% of the overall total grants paid.
- 11.3 Out of the 8 cases the Council is currently recovering, there are:
 - Four cases where it was established that the ratepayer was not in actual occupation on the qualifying date
 - 1 case that was paid automatically but it was then established that the business had vacated the premises and not informed Council.
 - 1 case where we paid the grant and then discovered that there were two businesses working from one assessment which needed to be split by the Valuation Office into separate units. We had the assessment in the name of the business who applied for the grant and were then informed by the other business that they were also in occupation.
 - 1 case where husband and wife separated and both parties applied for and received the grant.
 - 1 case that was a fraudulent application and is currently being investigated by the National Investigation Service

- 11.4 So far, emails have been issued, at least two letters and the Revenues team are now in the process of issuing a formal invoice and taking the appropriate recovery action.
- 11.5 The Council will need to demonstrate to BEIS that it has undertaken the relevant recovery process in an attempt to recover fund paid incorrectly. It is anticipated that if unsuccessful, BEIS will then also attempt recovery and if necessary, will fund any mis-payments where it is satisfied Councils had robust checks in place.