A Local Support Fund For COVID Affected Business

1. Background

On the 17 March 2020, The Chancellor Rishi Sunak announced an unprecedented package of support for business and workers[i] – to protect against the economic emergency caused by the coronavirus. This included unlimited loans and an initial £330 billion of loan guarantees to support firms and help them manage cashflows through this period. This included increasing the amount businesses can borrow through the Coronavirus Business Interruption Loan Scheme from £1.2 million to £5 million, and ensuring businesses can access the first 6 months of that finance interest free, as Government will cover the first 6 months of interest payments

However, it also included providing £20 billion of business rates support **and grant funding** to help the **most-affected firms manage their cashflow** through this period by:

A. Giving all retail, hospitality and leisure businesses in England a 100% business rates holiday for the next 12 months

B. Increasing grants to small businesses eligible for Small Business Rate Relief from £3,000 to £10,000

C. Providing further £25,000 grants to retail, hospitality and leisure businesses operating from smaller premises, with a rateable value over £15,000 and below £51,000

Further detail provided by the Government[ii] included the advice that "Any enquiries on eligibility for, or provision of, the reliefs should be directed to the relevant local authority." However, no advice has been provided on where businesses might make their enquiries on eligibility for, or provision of, the grants.

This initial scoping paper offers a proposition for local business support funds, including criteria for allocations and assurance frameworks to provide these grants, specifically:

1. **Communicating the grant availability locally** to the target the most vulnerable and affected firms within the groups detailed in B and C above.

2. **Administering the grants as high volume, low value rapid allocation schemes** similar to and along side the schemes already offered by most LEPs/MCAs. Authorities.

3. **Providing the most impactful support** as revenue and capital grants, that meets state aid criteria, whilst providing value for money in terms of jobs safeguarded, reducing the task of rebuilding and growing jobs, post pandemic and in recession.

2. Current Local Schemes as a Scalable Platform

Most LEPs and the MCAs that incorporate them, already administer high volume, low value, rapid access grant schemes. As an example, the Cambridgeshire & Peterborough Combined Authority operates a Small Grants Programme to support, especially micro firms, offering grants of between £2,000 and £20,000. These tend to be financed by the current Local Growth Fund and used for firms seeking to purchase new equipment or improve or expand their premises to enable growth. The CPCA expects to allocate and show full SME defrayment of up to £6m of these grants to as many as 300 firms over the next 12 months.

Channelling the grants portion of the recently announced £20Bn of support to help the most-affected firms manage their cashflow, through the LGF and into LEPs, could be the most assured, reliable and scalable option for mobilising grants, available to Government at short notice.

3. Assurance Frameworks

Current LGF financed Small Capital Grants Scheme assurance arrangements are as follows:

- Micro and small firms complete a short application taking less than two hours

- Approval decisions are taken at officer level, with delegated authority from, in the CPCA's case, the Business Board of the Combined Authority. A delegation that is ratified by the Combined Authority Board. Both Boards review the performance of the grant scheme against GVA growth and job targets and reconfirm officer delegation and funding criteria, with each new call for proposals from the market.

- All applications are required to meet Business Board approved criteria for funding, including those for State Aid compliance or exemption.

- Section 73 Officer sign off is provided individually for larger grants, but smaller grants are signed off on the basis that officers can demonstrate process compliance across batches.

- Monitoring Officer sign off is required on the legality of the grant agreement itself. However, as this a simple letter agreement and never deviated from, individual sign off is not necessary.

- Due diligence is carried out by sub-contractors who validate; the last 2 years trading figures (sole traders) or filed accounts (Ltd companies), forecast business performance, outstanding loan or debt finance, and any precluding issues to funding such as the status of directors.

All these systems, checks and balances are entirely scalable, and some could be further streamlined to reduce costs per grant. Through the Business Board and Combined Authority Board audit, review and officer delegation is exercised and is compliant with the BEIS CPCAs Assurance Framework.

4. Scaling Existing Local Small Grant Schemes

Scaling the capacity to deliver volumes that increase from the current 300 per annum to a COVID 19 response scheme of 300 per month, could be achieved by:

1. Scaling existing Officer resources through agency staff and temporary recruits, supplemented by possible secondments of local authority economic officers.

2. Streamlining the application process swith lighter touch application forms completed online with webchat and phoneline support

3. Streamlining the due diligence and payment process to validate base level compliance of legal entity and eligibility criteria using procured private sector support to implement process automation, call centre management and back-end automated payment systems.

5. Communicating The Grant Availability Locally

Identifying, qualifying, filtering and engaging the firms most vulnerable and affected firms amongst those eligible for Small Business Rate Relief from £3,000 to £10,000 and those in retail, hospitality and leisure businesses operating from smaller premises, will require a highly targeted approach at a large scale. This will require a partnership approach, already established and highly functional within most LEPs and Combined Authorities, involving the redeployment of LEP Growth Hub staff into market engagement roles, focusing on the target groups through partners. By way of example, in the CPCA, this would take the form of:

1. Utilising existing Growth Hub CRMs and procured databases enabling access into executive contacts of every Ltd Co in each LEPs economy, already being used to communicate out key HMG messages and more local information from the COVID19 Strategic Coordination Group's "Warn & Inform Group".

2. Exploiting existing, and well-established referral partner relationships to network to applicants through local FSB and Chambers, city and sector-based business networks, banks, lawyers, accountants, insolvency practitioners, finance brokers and landlords.

3. Harnessing MCA Press Office relationships with local press, radio, TV and web news sites such as Cambridge Business Weekly, BBC Radio Cambs and BBC Look East

4. Utilising Local Authority communications with business rate payers, informing them of the reliefs now available, to piggy-back those comms to include information and guidance on the grants now also available.

5. Utilising HMRC communications with PAYE and dividend taxpaying sole traders to, informing them of the tax reliefs now available, to piggy-back those comms to include information and guidance on the grants now also available.

6. Providing The Most Impactful Support

Existing capital grants are already being re-designed and repurposed to support firms affected by market disruption caused by COVID 19. Potential adaptions being proposed include the following, which could be scaled to support many more firms, should additional funds become available as part of the proposed £20bn provision:

1. Allowing firms to apply for **capital grants, retrospectively for equipment and premises** already purchased or being built, where their financial position has changed due to the market disruption of COVID, making grant funding necessary to bridge an affordability gap. This might enable them to use the grant to fund capital payments, on loans and mortgages already entered into, over 3 to 9 months, which they may otherwise struggle make, generating pressure to make redundancies.

2. Allowing firms to apply for capital grants for equipment to enable **rapid diversification** of businesses, especially in retail, hospitality and leisure to enable them to service customers remotely; such as by scaling up their offer for takeaway food, streaming interactive entertainment, selling more online or simply enabling new ways of remote working.

3. **Re-Start-Up Grants and equity investments** for micro-businesses in retail, hospitality and leisure businesses, that have foundered due to the unprecedented market disruption of COVID, based on a new business plan with increased diversity and resilience; Getting shops, restaurants and entertainment venues open again.

4. Allowing firms to apply for capital grants for equipment relating to **business recovery plans that safeguard jobs rather than business growth plans that create jobs** as is the current criteria.

5. **Increasing maximum intervention rates from 50% to 80%** on capital grants for firms suffering from market disruption due to COVID.

New Revenue-Based Grants Would Additionally Allow;

6. **Business survive & thrive grants** to inject liquidity into the business to fund a credible business plan to enable it to maintain staffing to develop new services and products during the downturn, that are forecast to create significant growth for the firm in 2021-22 and beyond.

7. **Business resilience and recovery grants** to fund premises rent, staff salaries through period of business shut-down or minimal operation, in order to retain capacity to address the market post pandemic and as consumer and market demand and footfall recovers.

8. **Customer and supplier payment support**, for small firms that are sometimes cash starved, caught between very large customers above them in the supply chain, demanding long credit lines and very large materials suppliers below them in the supply chain demanding immediate or even upfront payment. Grant could be used to fund a percentage of the cashflow deficit for firms caught in this position.

[i] https://www.gov.uk/government/news/chancellor-announces-additional-support-to-protect-businesses

[ii] https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses