

Housing, Homelessness and Fair Work Committee

10.00am, Friday, 29 January 2021

Scottish Government Discretionary Grant Funding for Businesses

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|---------------------|-------------------|
| Executive/routine | Executive |
| Wards | All |
| Council Commitments | 2 |

1. Recommendations

- 1.1 Housing, Homelessness and Fair Work Committee is asked to:
 - 1.1.1 Note the funding made available by the Scottish Government for City of Edinburgh Council and other Local Authorities “to provide additional support for businesses where they consider that necessary or justified”;
 - 1.1.2 Note the complexity in ensuring that support can be provided to as many businesses as possible;
 - 1.1.3 Approve the recommended fund framework as set out in Appendix 2; and
 - 1.1.4 Delegate authority to the Executive Director of Place, in consultation with the Convener and Vice Convener of Housing, Homelessness and Fair Work to make changes to this framework.

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Scottish Government Discretionary Grant Funding for Businesses

2. Executive Summary

- 2.1 This report sets out a proposed approach to administering the Scottish Government's Discretionary Grant Fund to support those businesses most in need and recommends a framework for doing so.

3. Background

- 3.1 On [14 January 2021](#), Committee received an update on funding which has been allocated to businesses in Edinburgh, in response to COVID-19. This showed that to date, the Council has provided financial support to over 11,300 businesses, with funding in excess of £123,000,000 since March 2020. Only businesses with premises (Non-Domestic Rates payers) and a small number of newly (since April 2019) self-employed people have received this support. Those that were self-employed prior to April 2019 have received support directly from HMRC.
- 3.2 On 17 November 2020, the First Minister announced that, in addition to the grant support already in place as part of the Strategic Framework, Scottish Government would provide a £30,000,000 discretionary fund to enable Local Authorities (in all Coronavirus (COVID-19): local protection levels) "to provide additional support for businesses where they consider that necessary or justified". Specific examples given were businesses in supply chains, or to taxi drivers suffering an indirect effect.
- 3.3 The First Minister has also confirmed that there will be additional administrative support for Councils to administer these support funds.
- 3.4 Of the £30,000,000 discretionary fund, £25,000,000 was distributed to all 32 Councils, based on a business data set which looks at VAT/PAYE registered businesses in each local authority area (as per the Inter-Departmental Business Register at 13 March 2020).
- 3.5 The remaining £5,000,000 was distributed to the 11 Local Authorities that were in local protection level 4 on 20 November 2020 only. The same data was used to allocate this funding.

- 3.6 To support the distribution of funding, Scottish Government provided high level guidance to assist Councils to deliver the discretionary support scheme and to ensure there would be a consistent approach across all Local Authorities. However, this guidance is widely drawn and it has been left to individual Local Authorities to determine their priority focus for this fund.
- 3.7 On 9 December 2020, Scottish Government Finance Minister, Kate Forbes, announced further new and additional support of £185,000,000. The sectors/ activities which are covered by this fund includes: hospitality; events industry; food and drink; brewers; travel agents; tour and coach operators; accommodation providers such as self-catering, Guest Houses and Bed and Breakfast; indoor football; visitor attractions; mobile contact services; and taxi drivers. In addition, large event organisers (like the Royal Highland Show) and wedding venues are also expected to receive support but details on this are not yet available.

4. Main report

Funding Allocation and Guidance

- 4.1 Based on the allocation of funding as set out above, City of Edinburgh Council has received £2,796,150.
- 4.2 The guidance provided by Scottish Government for administering these funds states that “the aim of this fund is to mitigate the short term financial challenges being experienced by businesses adversely impacted by restrictions and regulations introduced since October to control the spread of COVID-19.” It also sets out that focus should be on those specific sectors and businesses who have not been, or will not be, supported by other Scottish Government initiated awards or funding support since October and that precedence should be given to businesses who have experienced disruption without having been specifically required to close or adapt their operations as a result of legislation.
- 4.3 It is also emphasised that priority should be given to Small and Medium sized Enterprises (SME) and Micro Businesses employing fewer than 50 staff, as well as the self-employed, and that the Scottish Government considers that businesses should not be precluded from support on the basis that they are in receipt of the Self-Employed Income Support Scheme (SEISS) and/or the Coronavirus Job Retention Scheme (CJRS) which do not take account of business overheads.
- 4.4 The guidance suggests that the Scottish Government’s general position is that the level of payments should be consistent with support paid through the Strategic Framework Business Fund. However, it is emphasized that it is up to local authorities to determine whether they consider one-off grants or regular payments to be more appropriate given the needs of individual businesses.
- 4.5 Shortly after the initial announcement of the discretionary fund, Federation of Small Businesses (FSB) wrote to Scottish Government and Local Authorities asking that the following categories are considered for eligibility:
- 4.5.1 Businesses who do not have business premises and are therefore ineligible for grants attached to the rates system. (e.g. mobile close contact services, home-based businesses, taxi drivers);

- 4.5.2 Directors of limited companies;
- 4.5.3 Those earning less than 50% of their income through self-employment;
- 4.5.4 Freelancers paid through PAYE on short-term contracts;
- 4.5.5 Those with £50,000+ trading profits (based on income received 12-18 months ago now);
- 4.5.6 Businesses facing hardship as an indirect consequence of the current restrictions, like rural tourism businesses hit by the current travel restrictions.

Analysis of Impact of COVID-19 on Businesses

- 4.6 In preparing the application process set out below, the Scottish Government guidance has been assessed and feedback has been sought from internal and external partners to ensure that the grant allocation is effectively applied in Edinburgh.
- 4.7 Appendix 1 sets out the impact of Coronavirus on normal activities on UK Business Sectors, as well as an overview of business sector split in Edinburgh.
- 4.8 From this, we can infer that in Edinburgh, the accommodation and food service sectors appear to be the most exposed, followed by business administration and support services plus arts, entertainment and recreation services.
- 4.9 Many, but not all, of these sectors will have received help to cover staffing costs, via furlough funding, or support from the SEISS, based on their taxable income over the three years leading up to April 2019. The SEISS is based on profit though and does not consider business overheads, and the guidance from Scottish Government has been clear that this should not disqualify them from support through the Discretionary Fund, nor should receipt of furlough funding.
- 4.10 In addition, the newly self-employed hardship fund was put in place to support those that were ineligible for SEISS as they started trading after 6 April 2019. Council officers consider that being in receipt of support through this fund should be considered on par with support from SEISS for the purposes of discretionary grants.
- 4.11 Applications to the Brake Restrictions Fund and Strategic Framework Fund which were rejected have also been assessed. This shows that the majority of rejections were businesses without premises or businesses with premises but who, for some reason, do not pay Non-Domestic Rates, such as mobile close contact services, home-based businesses and Bed and Breakfasts/Guest Houses.
- 4.12 It is also important to note that the impact of the current Scottish Coronavirus (COVID-19) restrictions extends beyond firms forced to close or reduce their hours by law. Examples of businesses that have been impacted, but received no or limited support, are those in the hospitality supply chain and city centre 'essential traders', who are not required to close but have lost income both from a lack of tourists and office workers.
- 4.13 Based on this analysis it is considered that suppliers to those businesses that have been forced to close, businesses operating without premises, and businesses that are deemed essential but who have lost their customers due to the restrictions imposed are those which remain unsupported.

4.14 It is very difficult to pinpoint the number of businesses in Edinburgh that fall into these categories. It is also been possible that some have been able to pivot their business model (e.g. moving from supplying hospitality to retail) and thereby have mitigated (at least some of) the impact.

Other Considerations

4.15 While it is recognised that the larger the grant award means fewer businesses can be supported, the size of the grant award must be meaningful. And while regular payments, in line with the Strategic Framework Support, would provide more regular support, fewer businesses would benefit although it is recognised that it may make more of a difference for those businesses which do.

4.16 After considering this and receiving feedback both internally and externally, it is recommended that a one off payment of £2,000 should be made. This would support approximately 1,400 businesses. This is in line with the Funds being administered with most other Scottish Local Authorities (who are also administering single payments of between £1,500 and £3,000) and also with the support obtained through the Strategic Framework Support fund (which provides £2,875/£4,310 for businesses facing closure and £1,440/£2,155 for those experiencing significant hardship, every four weeks, depending on Rateable Value)

4.17 There are not sufficient funds available to support all businesses in need, and while it is expected that demand for this funding will be high, the eligibility criteria (set out in Appendix 2) have been developed to focus on those businesses most in need of support. For reference, in preparing for previous grants schemes, an estimated number of applications was established, based on number of rates payers or license holders fitting certain criteria. This ensured that sufficient funding was available. In this case, the funding received has already been set and the guidance broad, meaning that the criteria had to be developed to fit in with the intended target group in order to narrow down potential recipients.

4.18 The eligibility criteria have been designed to especially support applications from suppliers and those without (rateable) premises. Note that, as per the list of mandatory evidence in Appendix 2, businesses will still be asked to evidence that they are based in Edinburgh – this should be the registered address of the business and not where they normally operate.

4.19 Business will also be requested to confirm that they have suffered a significant loss of income as a result of restrictions introduced since October 2020. “Significant” is, in this instance, suggested to be in excess of 30%, and businesses will be required to state their turnover for the months of August – December to reflect this. Further evidence to support may be requested by the assessing officer, at their discretion.

4.20 It is proposed that the grant be paid on a ‘first come first serve’ basis, with advance notice given of the opportunity to apply (including eligibility and evidence required). The fund would close when 1,500 applications have been received and reopen (with advance notice) once those applications have been assessed, assuming that they do not all meet the eligibility criteria.

- 4.21 Officers have liaised with Digital Services to confirm the system's capacity to manage a potentially large number of applications submitted in a short space of time. This capacity has been confirmed as up to 24 MB with attachments in total.
- 4.22 In addition, it has also been confirmed that the Council's systems are well equipped to handle such pressures. The Jadu platform has a robust service wrapper in place, which includes disaster recovery, and has been thoroughly security tested. This platform has been used for Garden Waste Registrations and for other Business Grants throughout COVID-19, therefore the technology is tried and tested with high volume transactions.
- 4.23 To aid the administration of this process, the proposed application process is a mix of self-certification and provision of evidence. Sample testing will be performed and assessed, and recovery of funds will be progressed if businesses are found to have provided incorrect information.
- 4.24 In order to avoid businesses submitting incomplete applications in order to have their application assessed sooner, officers propose that any incomplete applications (i.e. when one or more of the mandatory evidence is missing) are immediately rejected. Applications where the evidence has been provided but officers require further information will be given five working days to complete their applications, after which the application will be rejected if not completed.
- 4.25 Approved applications will be paid out within three working days of being processed. Due to the expected number of applications, processing time may be up to four weeks so in order to allow officers to focus on working through the applications, businesses will be asked to wait one month after applying before contacting bgi@edinburgh.gov.uk for further updates.
- 4.26 Rejected applications will be notified to the business together with a reason for the rejection. Appeals will be required to be made in writing to the Business Growth and Inclusion team on bgi@edinburgh.gov.uk within five working days. Appeals will be reviewed together with the original application by an officer separate from the one originally assessing the application. Any further appeals or in cases of ambiguity, the application will be reviewed by the Business Growth and Inclusion management team, whose decision will be final.
- 4.27 In the event that it becomes clear that the criteria significantly excludes a sector that was expected to be covered by future funds, it is recommended that authority is delegated to the Executive Director of Place, in consultation with the Convener and Vice Convener of Housing, Homelessness and Fair Work, to make changes to the criteria.

5. Next Steps

- 5.1 If Committee agrees to the proposal, the Council's business support pages will be updated on 1 February with a message that this fund will be open for applications and will provide details of the application process.

6. Financial impact

- 6.1 This funding has been provided by the Scottish Government so there is no direct financial impact for the Council.
- 6.2 Given the likely number of applications, it is anticipated that 10 members of staff will be required to administer the application and payment process. This will have an impact on their normal duties.

7. Stakeholder/Community Impact

- 7.1 Due to the short timescale within which to administer these funds, it has not been possible to carry out extensive consultation. However, consultation internally within the Council has taken place and feedback has been sought from the Federation of Small Businesses, Edinburgh Chamber of Commerce and Edinburgh Social Enterprise Network.

8. Background reading/external references

- 8.1 None.

9. Appendices

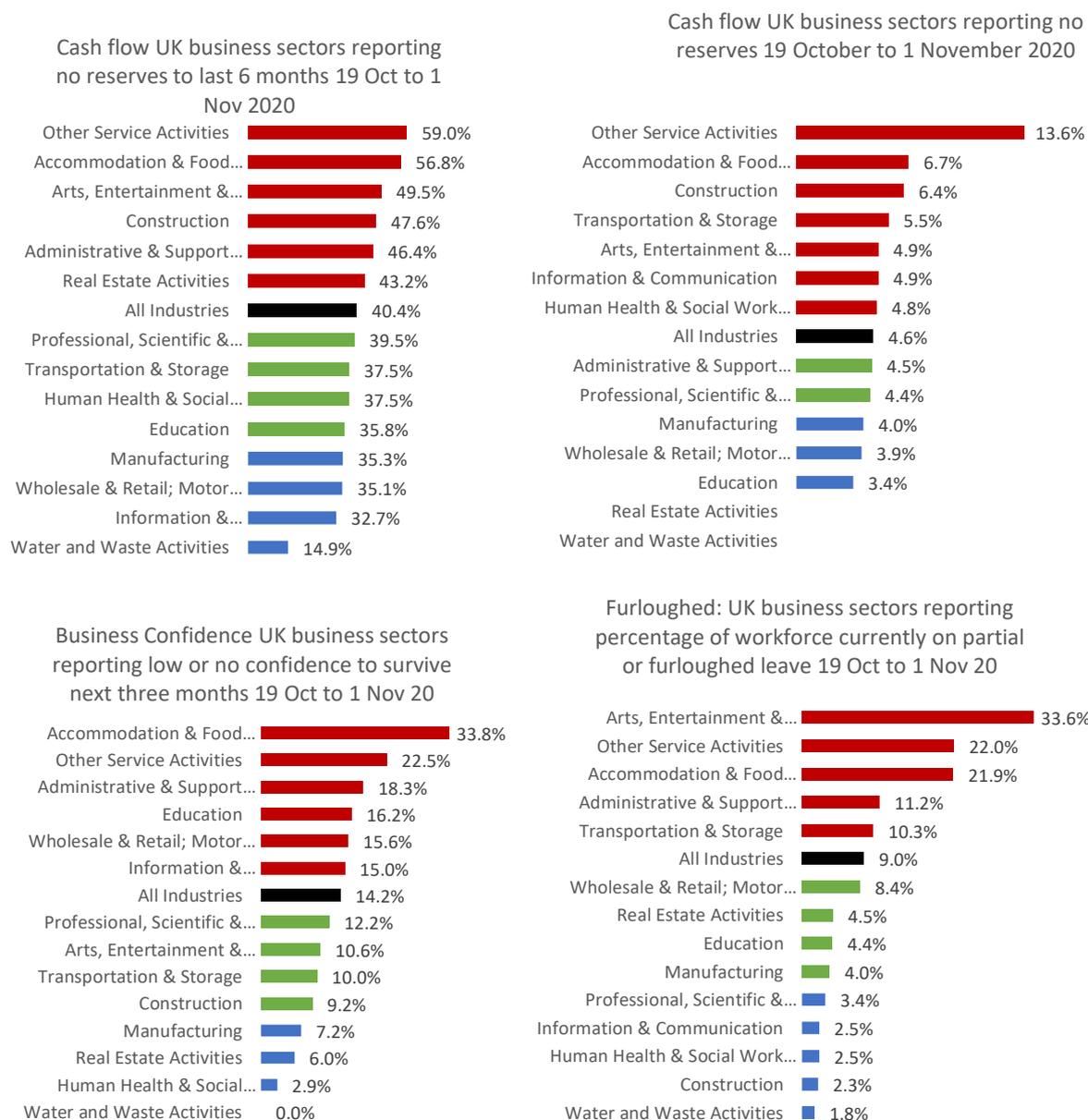
- 9.1 Appendix 1 – Sector impact analysis
- 9.2 Appendix 2 – City of Edinburgh Council – Discretionary Business Support Fund Eligibility Criteria

Appendix 1:

Sector impact analysis

UK Business Sectors reporting impact of Coronavirus on normal activities

1.1 Relative to all industries, many sectors have been negatively affected by coronavirus and the related restrictions to economic activity. When considering Business responses to the UK Coronavirus Business Impact survey conducted over 2-week period 19 October to 1 November 2020 on cash flow, business confidence and furloughed workers; the sectors that are reporting above the all industry rate are highlighted in red (high impact) in the four charts below, those below are categories equally into amber (moderate impact) and blue (low impact).



1.2 The accommodation and food service sector appears as the most exposed, followed by business administration and support services plus the arts, entertainment and recreation services.

Edinburgh Business Sectors

- 1.3 In March 2020, there were 23,620 business units in Edinburgh employing less than 50 employees. The majority of these employ less than 10 employees, with 3,900 business units employing between 10 and 49 employees.
- 1.4 There were 2,390 retail businesses employing fewer than 50 employees, and a similar number 2,350 businesses in the accommodation and food services.
- 1.5 The top three most affected sectors, as mentioned above, account for just over 6,000 SME/Micro businesses in Edinburgh. These three sectors are reporting higher relative use of furlough payment. Some of the businesses in may also be in receipt of Government support in the form of rates relief and other business grants.
- 1.6 A few sectors that are not reporting high use of furloughing staff include: construction; information and communication and health and social care. Yet, they are at the same time reporting challenges over operating with limited cash flows. In Edinburgh these three sectors account for just under 6,000 SME/Micro businesses in Edinburgh.

| Industry | Under 50 employees | Risk category (High-Low) | | | |
|--|--------------------|--------------------------|---------------------------|-------------------------|----------------------------|
| | | Cash Flow (no cash) | Cash flow (less 6 months) | Business Confidence Low | Extent of Furloughed staff |
| Accommodation & food services (I) | 2,350 | High | High | High | High |
| Business administration & support services (N) | 2,055 | Mod | High | High | High |
| Arts, entertainment, recreation & other services (R,S,T&U) | 1,800 | High | High | Mod | High |
| Transport & storage (inc postal) (H) | 410 | High | Mod | Mod | High |
| Construction (F) | 1,635 | High | High | Low | Mod |
| Information & communication (J) | 2,700 | High | Low | High | Low |
| Education (P) | 430 | Low | Mod | High | Mod |
| Motor trades (Part G) | 280 | Low | Low | High | Mod |
| Wholesale (Part G) | 570 | Low | Low | High | Mod |
| Retail (Part G) | 2,390 | Low | Low | High | Mod |
| Property (L) (Real Estate) | 970 | n/a | High | Low | High |
| Professional, scientific & technical (M) | 4,655 | Mod | Mod | Mod | Low |
| Health (Q) (and Social Work) | 1,345 | Mod | High | Low | Low |
| Manufacturing (C) | 590 | Low | Low | Low | Mod |
| Mining, quarrying & utilities (B,D&E) | 150 | n/a | Low | Low | Low |
| Agriculture, forestry & fishing (A) | 160 | n/a | n/a | n/a | n/a |
| Financial & insurance (K) | 1,055 | n/a | n/a | n/a | n/a |
| Public administration & defence (O) | 85 | n/a | n/a | n/a | n/a |
| Total | 23,620 | | | | |

- 1.7 HMRC administer the Self-Employed Income Support Scheme (SEISS) and provide estimates as part of the reporting on potentially eligible population by local authority level and a sector breakdown of eligibility for Scotland. These figures can be used as an estimate for the number of self-employed people in Edinburgh. Applying the proportionate breakdown of sectors for Scotland to Edinburgh provides estimates of self-employment by sector.
- 1.8 Using the SEISS claims to 31 August 2020, it is estimated that there are around 20,200 self-employed in Edinburgh with 4,780 self-employed in the construction centre and 1,810 in transportation and storage. These appeared as high risk sectors from the analysis above.
- 1.9 Across the three most impacted sectors: Accommodation and food service; business administration and support service; and arts, entertainment, recreation services, there was just under 2,000 self-employed individuals in Edinburgh.

Appendix 2

City of Edinburgh Council – Discretionary Business Support Fund

The Discretionary Business Fund aims to support local businesses that are experiencing immediate financial challenges as a result of the COVID-19 restrictions and regulations but have not been able to access business grants provided by the Scottish Government. In the first instance, this fund will aim to assist businesses that have been without such financial support since the introduction of Brake Restrictions and latterly Strategic Framework Restrictions in October and November 2020.

The discretionary fund is open to open to Limited Companies (including Scottish Charitable Incorporated Organisations and social enterprises), Sole Traders, Trusts, Partnerships, Community Interest Companies and freelancers, and will provide a one-off payment of £2,000 to businesses who are:

- forced to amend or close their operations as a direct result of legislation but are ineligible for support through Scottish Government initiated funding.
- facing hardship as an indirect consequence of the current restrictions but have not been eligible to receive financial support through the Scottish Government initiated funding. This may include, but is not restricted to, suppliers of goods or services to those who have been closed or restricted by legislation but will not include those who have been unable to trade as a result of personal circumstances.

In order to be eligible for support, businesses must:

- be based in the City of Edinburgh Council area;
- have been trading as at 1 October 2020;
- be a small, medium or micro enterprise, employing less than 50 staff;
- have suffered significant (in excess of 30%) loss of income as a result of COVID-19 restrictions introduced since October 2020.
- be ineligible for any scheme of support introduced or announced by Scottish Government since 1 October 2020, excluding the Newly Self-Employed Hardship Fund.
 - Please note, Coronavirus Job Retention Scheme and Self Employment Income Support Scheme are UK wide support schemes and being in receipt of support through these will therefore not impact eligibility.
 - Businesses that were eligible for a one off grant payment when the Brake Restrictions were introduced in October 2020, but have not been and will not be eligible for further grants since, may be eligible for a top up to bring their overall grant level to £2000 if all other criteria apply.

- be trading, or would have traded were it not for the restrictions in place. Businesses that are in administration, are insolvent or where a striking-off notice has been made will not be eligible;
- not be connected to a tax haven, as set out in the Coronavirus (Scotland) (No 2) Act 2020;
- not be in receipt of an enforcement notice as a result of breaching COVID-19 Regulations;

Evidence required:

Applicants must certify that they have experienced a significant (min. 30%) loss of income due to the restrictions imposed as of October 2020 and that they have not been in receipt of, or would have been eligible for, any grant introduced or announced by Scottish Government since 1 October 2020, excluding the Newly Self-Employed Hardship Fund. Furthermore, they must confirm the main area of business they operate within and what their turnover was for the months of August – December 2020.

To support their application, applicants are required to upload images or digital copies of the following:

- **MANDATORY: Photographic proof of identity - valid passport or driving licence (including provisional driving licence).**
 - Alternatives may be considered exceptionally and at the discretion of the action officer so long as they are satisfied with the integrity of the application as a whole.
- **MANDATORY: Proof of address – recent utility bill, recent bank statement, electoral register entry, valid driving license (not if also used as proof of identity)** in the name of the business, or, for self-employed, in the name of the applicant.
- **MANDATORY: PDF copy of bank statement.** This must show business income and related outgoing expenditure and cover at least one month over the time when the brake restrictions were introduced (2 October 2020). This must be the account grant payments should be made to.
 - If there are no business income or outgoings during this month, another timeframe after 2 October may be acceptable.
 - If a pdf copy cannot be provided, a photograph of the first page of the bank statement will be acceptable but businesses may be required to provide further evidence.
- **MANDATORY: any 2 of the following:**
 - A supplier or reseller trade account (active). Eg, documentation or a statement showing a trading account with a wholesaler, an eBay seller account, Amazon Business, Etsy, etc
 - Valid business insurance in the trading name of the business or name of the applicant

- HMRC Unique Taxpayer Reference (if registered). If not yet registered, copy of correspondence/other details showing registration is being sought/or provide further details to explain position. This should be a letter or electronic communication.
- VAT Registration Number. This should be a letter or electronic communication.
- Marketing materials for your business, e.g. business website, active social media. Web links, social media account name (LinkedIn, Facebook, other).
- Other evidence of business activity to support your claim. Acceptability of such evidence is at the discretion of the grant processing team.

Additional Information

- This grant will be operated on a first come, first served, basis and the fund will close as and when applications reach 1500 and reopen once those applications have been processed. Two days' notice will be provided ahead of fund opening and reopening, setting out eligibility criteria and evidence required, to allow people to prepare their applications.
- Any incomplete applications (i.e. when one or more of the mandatory evidence is missing) will be immediately rejected. Applications where the evidence has been provided but officers require further information will be given five working days to complete their applications, after which the application will be rejected if not completed.
- Approved applications will be paid out within three working days of being processed. Due to the expected number of applications, processing time may be up to four weeks so in order to allow officers to focus on working through the applications, businesses are asked to wait one month after applying before contacting bqi@edinburgh.gov.uk for further updates.
- Rejected applications will be notified to the business together with a reason for the rejection. Appeals will be required to be made in writing to the Council's Business Growth and Inclusion team on bqi@edinburgh.gov.uk within five working days. Appeals will be reviewed together with the original application by an officer separate from the one originally assessing the application. Any further appeals or in cases of ambiguity, the application will be reviewed by the Business Growth and Inclusion management team, whose decision will be final.
- Sample testing will be performed and assessed, and recovery of funds will be progressed if businesses are found to have provided incorrect information.