

Agenda Item	8
Report No	ECI/5/21

HIGHLAND COUNCIL

Committee: Economy and Infrastructure

Date: 4 February 2021

Report Title: COVID-19 Discretionary Grant Scheme

Report By: Executive Chief Officer – Infrastructure and Environment

1. Purpose/Executive Summary

- 1.1 In recognition of the significant financial hardships and risks for businesses as a result of COVID-19 protective measures, the Scottish Government has made available a range of grants to businesses. Members will be aware that The Highland Council has been asked to deliver a number of these grant schemes.
- 1.2 The Scottish Government has offered The Highland Council a grant of up to £1,525,924 to deliver a discretionary grant scheme 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.
- 1.3 This report sets out the wider funding context within which the grant will sit, the challenges involved in targeting it to best effect and a proposal as to how this could be achieved.

2. Recommendations

- 2.1 Members are asked to:
- i. agree to the proposed Discretionary Grant Scheme; and
 - ii. agree that delegated decision making be given to the Executive Chief Officer – Infrastructure and Environment, in consultation with the Chair and Vice Chair of the Economy and Infrastructure Committee to make any grant criteria changes required in light of other national grant schemes and to design and deliver a second phase grant scheme, if not all of the grant is utilised.

3. Implications

- 3.1 **Resource** – A grant of £1,525,924 has been provided from the Scottish Government.
- 3.2 **Legal** – When accepting external funding The Highland Council does so with a number of associated grant conditions. Therefore, any risks to The Highland Council need to

be assessed/mitigated to protect The Highland Council financial and reputational interests.

3.3 **Community (Equality, Poverty and Rural)** – A key consideration behind the creation of the Discretionary Grant Scheme was recognition that The Highland Council – in knowing etc the business community, will be able to respond to known/identified challenges experienced.

3.4 **Climate Change / Carbon Clever** – No direct implications arising.

3.5 **Risk** – As per 3.2 above.

3.6 **Gaelic** – no direct implications arising.

4. Context

4.1 Over the COVID-19 pandemic and the Public Health protective measures introduced, the UK and Scottish Governments have put in place a wide range of support packages to mitigate the impact on business and individuals. The Highland Council has fulfilled a key role and has delivered on behalf of the Scottish Government a number of grant schemes. To date The Highland Council has processed grant of approx. £80m to over 8000 businesses.

4.2 Members will be well aware that many businesses have not been able to access the UK and Scottish Government grant schemes and many calls have been made for the support packages to be amended or new schemes put in place. Over the period we have seen this happening and increasingly more specific grant schemes have been announced/introduced. At the current time there are some 30 schemes alone from the Scottish Government that are either live or are proposed.

4.3 The Discretionary Grant Scheme therefore needs to be considered in context of the wider grant support system in place and the fact that this grant support system is naturally fluid and subject to change. This also indicates that any Discretionary grant scheme established will need to be flexible in response to changing circumstances.

5. Discretionary Grant Scheme

5.1 The Scottish Government has offered The Highland Council a grant of up to £1,525,924 to deliver a grant scheme 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.

5.2 A small additional allocation is to be added to this offer of grant from the Scottish Government to provide for support for businesses in the Small Isles and Raasay who currently are otherwise (as they are located in a Tier 3 area) unable to access the same Strategic Framework Business Fund grant support that is available to (Tier 4) mainland Highland businesses. The funds will not be new, but rather will come from the Council's Strategic Framework Business Fund allocation (which is based on business numbers across all of Highland). In practice, this is a funding stream workaround to enable affected businesses on the Small Isles and Raasay to secure grant. Hence, there is no net increase in the funds available.

5.3 Unlike previous funds which have been targeted towards specific groups or sectors impacted by COVID-19, this Discretionary Fund seeks to empower The Highland Council to direct additional financial support to specific groups or sectors within the

business community where they consider this to be necessary or justified based on the distinct characteristics of their local economies.

5.4 The offer of grant was accompanied by specific guidance from the Scottish Government. Key observations from this guidance are:

- the level of grant to be offered should be similar to current schemes (the Business Restriction Fund for example, provides a grant of £1,400 and £2,100 depending on rateable value);
- based on the Highland allocation of £1,525,924, this suggests total number of grants to be in range of approx. 726-1089;
- a quick turnaround from application to grant payment is requested, therefore requiring the use of eligibility thresholds (i.e. yes or no) as opposed to subjective assessments of evidence presented (which can be detailed and lengthy depending on personal/business circumstances of applicant);
- due diligence and ensuring grant applicants are genuine remains a grant condition but a balance needs to be struck between such work and awarding grants quickly. There are a number of set eligibility criteria which will need to be introduced, for example, the business has not received enforcement notice for breaching COVID-19 regulations; that the business provides certain evidence to substantiate applicant declarations;
- the rationale set by the Scottish Government for assistance is for the period since October 2020, i.e. not what was or was not available in period March to October and that funding should be targeted to those without support since October;
- the only specific sector/business type mentioned is those businesses that have experienced disruption without having been specifically required to close or adapt their operations as a result of regulations. A good example here is that of a laundrette, which is allowed to remain open but whose trade has reduced significantly as a main customer, the accommodation sector has closed; and
- The Highland Council is asked to give cognisance to the existing and upcoming range of grant schemes which businesses can apply for and therefore do not fund when alternative funding is in place. The challenge at this time is that not all eligibility is known for the new schemes and hence it is impossible to determine whether a funding gap exists or not.

5.5 When managing the various grant schemes to date and hearing direct from affected businesses, The Highland Council is well aware that many businesses do not often meet the criteria set. When it has been able to do so, The Highland Council has applied any discretion given and has worked with businesses to assist them to gather the evidence required meet the criteria and has lobbied for changes to criteria when possible. A most recent example was the agreement secured from the Scottish Government that The Highland Council could accept personal bank accounts if they used for business bank purposes. This opened up eligibility to many hundreds of business who otherwise would have been excluded from the current Strategic Framework Business Fund grant scheme.

6. Proposal

6.1 To assist in identifying the businesses to whom grant should be directed The Highland Council wrote to the main business representative groups and HIE before Christmas seeking feedback and local intelligence on how you think we could utilise the grant funds. While this usefully confirmed rather than identified any new business types/sectors, it is fair to say that a common comment was that the lack of clarity (with

new schemes) inevitably makes giving detailed advice on the Discretionary Fund very difficult.

- 6.1.1 The table below is illustrative but not exhaustive of the potential funding gaps identified. Members in looking at this list, will also be able to add to it, as for many businesses it is their particular circumstances which has resulted in them being ineligible for grant support.

Business	Comment
Self employed unable to secure grant via UK or (previous) Scottish Government schemes	New Scottish Government Newly Self-Employed grant scheme to be launched – eligibility not yet known.
Close Contact Services (mobile not premises based)	New Scottish Government Close Contact grant scheme to be launched – eligibility not yet known.
Taxis	Separate grant scheme for Taxi and Private Hire Drivers launched.
Directors of Limited Companies	Unclear if separate national scheme or widened Newly Self-Employed Scheme will target support for Directors.
Property Owners, loss of rental income	Does not fit purpose for which Council given funds.
Businesses which operate from home and unable to access the non domestic rate based grant schemes	A broad range of businesses affected here many of whom will be self-employed, Directors, supply-chain etc.
Supply chain businesses – goods and services	A broad range of businesses affected here which while allowed to continue trading have seen customer base disappear or significantly reduce due to restrictions/closure of others.
B&B businesses	New Scottish Government B&B and Guesthouse grant scheme to be launched – eligibility not yet known.
Requirement to have Business Bank Accounts	As detailed earlier, The Highland Council has successfully secured a change in Scottish Government grant requirements to allow for personal bank accounts to be accepted if mainly used for business purposes.

- 6.2 In going forward, The Highland Council has to recognise that the funding available to it is finite and very small in context of the wider range of support otherwise provided. **The Highland Council, with this funding, will not be able to meet every request for funding and it will not be able to plug every funding gap which appears.**
- 6.3 The proposal presented for Members therefore seeks to identify a grant scheme that is wide ranging in its reach to all business types rather than being sector or business type specific. It also seeks to be sufficiently robust in its design whereby if further changes in UK or Scottish Government support take place then the criteria set provides for this. However, it may be that changes will be needed and if so, it is important that The Highland Council has decision-making structures in place to do so quickly.

6.4 An application deadline will need to be set for the grant scheme. If funds remain available after the processing of all applications received, then a second phase grant scheme will need to be designed and established to ensure that the full Discretionary Grant offer from the Scottish Government is fully utilised. As per condition of the grant received, any unspent funds will require to be returned to the Scottish Government.

6.5 **Grant Scheme**

6.5.1 The Scottish Government in October 2020 in recognition of the reduced trade experienced by tourism related (short-life goods) supply chain businesses due to the tourism restrictions introduced at that time, put in place a Hardship grant scheme. Eligible businesses needed to demonstrate a reduction in turnover of 50%.

6.5.2 While in practice this was a small and very focused grant scheme, it usefully illustrates the secondary impact on businesses that in themselves are able to remain open but in practice have witnessed a significant drop in trade. In essence the proposal is to take the idea of this scheme to widen it out to include goods and services and to open it up to all business types, who otherwise have not secured other grant support since October 2020 and who can demonstrate a significant reduction in trade due to the COVID-19 restrictions.

6.5.3 The following identifies for illustrative purposes the types of businesses envisaged that may be able to access such a scheme if they meet all of the eligibility criteria and have not secured other grant support:

Launderettes; dog/pet kennels; event organisers; takeaways; specialist food shops; freelance trainers/instructors; facility management/tradespersons; tour guides.

The businesses to be eligible would be small and micro businesses (with 50 employees or fewer).

6.5.4 The benefit of this proposed scheme is that it is not sector specific but is wide ranging and therefore potentially offers support for a wide range of businesses. Hence it is difficult to estimate the likely number of successful applicants. Therefore any applications received would need to be considered on an application complete 'first come, first served' basis. It is proposed to have a three week period during which applications can be submitted.

6.5.5 As indicated in paragraph 5.4, and in keeping with Scottish Government guidance, a grant of the value £1,400 to £2,100 is all that is affordable from the funds available to Th Highland Council if the grant is to reach a good number of businesses. Options clearly exist to offer different rates based on level of trade reduction, but it is proposed for ease of processing and thus speed of payment to have a fixed one-off grant payment of £2,000 for 762 businesses.

6.5.6 A key consideration with this grant scheme is to set the criteria threshold for the level of trade that has been lost. The Scottish Government when setting the threshold for the current Taxi and Private Hire Driver grant scheme and the previous one for supply chain businesses in October 2020, set a threshold of at least 50% reduction in trade. It is proposed to adopt the same 50% threshold.

6.5.7 As detailed in paragraphs 6.3 and 6.4, it is anticipated that changes to the proposed grant scheme and a second phase may be required outwith the Committee timetable. It is therefore proposed in recognition of the particular circumstances experienced and need to make quick decisions, that delegated decision making be given to the

Executive Chief Officer – Infrastructure and Environment, in consultation with the Chair and Vice Chair of the Economy and Infrastructure Committee to make any changes required and design and deliver a second phase grant scheme. Any Phase 2 grant scheme will remain focused on bringing grant support to businesses who otherwise are unable to access UK or Scottish Government financial support.

7. Summary

- 7.1 To deliver grant support to all businesses affected by the pandemic is challenging and both the UK and Scottish Governments have sought to do this with both generic and targeted support schemes. The Discretionary grant scheme proposed seeks to direct grant to those businesses who otherwise have not secured financial support since October 2020 and have witnessed a significant drop in trade.
- 7.2 Subject to Members consideration and approval, efforts will urgently be made to finalise the grant scheme details, prepare webpage guidance and online forms and to launch the grant scheme the week commencing 8th February 2021.

Designation: Executive Chief Officer - Infrastructure and Environment

Date: 21 January 2021

Author: Andy McCann, Economy and Regeneration Manager