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**Please find attached report in respect of Item No. 9 on  
the agenda for the above meeting**

9.	<b>Any Other Items Previously Circulated</b> (Pages 3 - 18)  <b>Borders Discretionary Support Fund for Business</b> – Consider report by Executive Director, Finance & Regulatory	20 mins
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## **BORDERS DISCRETIONARY SUPPORT FUND FOR BUSINESS**

### **Report by Executive Director, Finance & Regulatory EXECUTIVE COMMITTEE**

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**19 January 2021**

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#### **1 BACKGROUND AND PURPOSE**

- 1.1 This paper sets out a proposal to establish a cash limited discretionary business support fund. The fund is intended to complement other arrangements put in place by Scottish Government to assist businesses and organisations to survive the current emergency situation.**
- 1.2 The Council has been provided with a grant £672,021 to administer a COVID-19 Local Authority Discretionary Fund. This funding represents 2.7% of a £25m national discretionary fund agreed by COSLA Leaders. The aim of this fund is to mitigate the short term financial challenges being experienced by businesses since October 2020. This fund is intended to enable local authorities to direct additional financial support based on the distinct characteristics of local economies. Financial support can be provided to Limited Companies, Charities, Social Enterprises, Sole Traders and Trusts.
- 1.3 A key priority of Ministers' for this funding is to reach those groups and sectors that have received limited direct financial support from the Scottish Government despite experiencing disruption due to COVID-19 regulations and restrictions introduced since October. The criteria of the proposed scheme drafted in section 4.2 reflect this objective. Ministers have also requested that councils prioritise small and microbusinesses (with 50 employees or fewer) and the self-employed as the intended recipients of this funding. These types of business are prevalent in the local Borders economy and are typically less resilient to the ongoing disruption caused by COVID-19. The scheme aims to support as many local businesses as possible to address the immediate financial challenges that they face within the confines of the funding available. It should be noted that this objective will have a direct impact on the sums which can be provided to each individual business.
- 1.4 The scheme will be publicised and be administered online. Applications will be open for a four week period during February 2021 and discussion with partners is ongoing to assess how business can best be assisted to access the variety of funding opportunities set out in appendix 1.

## **2 RECOMMENDATIONS**

### **2.1 It is recommend that the Executive Committee agrees:-**

- (a) to approve the establishment of a discretionary fund for business as set out in this report based on the criteria in section 4.1;**
- (b) that the final amount of support to individual business should be determined by the number of eligible applications received per eligible business;**
- (c) to delegate authority to the Executive Director, Finance and Regulatory Services, to determine grant applications in accordance with the provisions agreed in this report;**
- (d) to delegate authority to the Executive Director, Finance and Regulatory Services - in consultation with the Executive Member for Economic Development and Finance - any further changes required to the approved criteria of the scheme to enable the grant scheme to function effectively; and,**
- (e) that the Executive Director, Finance and Regulatory Services, shall submit a report to Council by the end of May 2021 setting out the numbers and types of business assisted by the discretionary scheme.**

### **3 DISCRETIONARY BUSINESS SUPPORT FUND**

- 3.1 A variety of support packages are currently in place to support businesses experiencing financial impacts as a result of COVID-19. These range from the ability to furlough employees, the HMRC Self-Employment Income Support Scheme, Relief from payment of Non Domestic Rates for all businesses operating in the Leisure Hospitality and Retail Sectors in 2020/21, Non Domestic Rates hardship relief, business grants, support for sports clubs and Arms-length external organisations (ALEOS's) and support for newly employed individuals as well as a range of support targeted at specific sectors of the economy including the creative arts. Support has been targeted not only through local authorities but also through a range of partnership organisations, including the local enterprise agencies and the third sector.
- 3.2 On 17 November 2020, the Scottish Government announced further support for businesses and self-employed people in Scotland impacted by restrictions introduced to control the spread of coronavirus (COVID-19) to operate alongside and complement the Strategic Framework Business Fund as set out in the First Minister's Statement to Parliament. Included in this announcement was a commitment to establish a £30 million Discretionary Fund to enable local authorities to provide additional support for businesses in their area. The distribution of this funding was agreed by COSLA leaders on 20 November 2020, when it was decided to top slice £5m of this funding to support those Authorities which were then in tier 4 of the Corona Virus restrictions, with the remaining £25m distributed to Councils across Scotland using business base data, specifically the proportion of VAT/PAYE registered companies in Scotland that were registered in each local authority area according to the Inter-Departmental Business Register as at 13 March 2020. The Scottish Borders received a 2.7% share of this funding. This is slightly higher than the Council's normal distribution of resources, reflecting the higher proportion of small and micro businesses in the region relative to the national business base.
- 3.3 The Council has consequently been provided with a grant of £672,021 to administer a COVID-19 Local Authority Discretionary Fund. The grant is payable in financial year 2020/21 to support local businesses experiencing financial challenges as a result of restrictions and regulations introduced to control the spread of COVID-19. In providing this grant, it is Ministers' stated objective that Councils use their knowledge of their local economies to direct funding towards businesses experiencing immediate financial challenges as a result of COVID-19 restrictions and regulations and particularly those who have been without financial support since October 2020
- Purpose of the Funding**
- 3.4 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.

- 3.5 Unlike previous funds which have been targeted towards specific groups or sectors impacted by COVID-19, this fund is intended to enable local authorities to direct additional financial support to specific groups, or sectors, or individual businesses based on their needs and the distinct characteristics of their local economies. This recognises the insight that councils have regarding the business community in their area and where funding would be most effectively deployed in supporting local economies.

#### **Eligibility for funding**

- 3.6 Funding is intended to provide direct financial support to local businesses in the Borders specifically for the purposes of mitigating immediate financial challenges arising from COVID-19 restrictions and regulations. Businesses that are in administration, insolvent or where a striking-off notice has been made; or businesses who are in receipt of an enforcement notice as a result of breaching COVID-19 Regulations, are not eligible for funding.

#### **Funding Priorities**

- 3.7 Limits to the funding available through this scheme will inevitably require prioritisation of which types of business that may receive support. Local knowledge, including the knowledge and experience of local enterprise agencies will be vital in determining where the funding will be most effectively deployed. Under Scottish Government guidance, financial support can be provided to Limited Companies (including Scottish Charitable Incorporated Organisations and social enterprises), Sole Traders, Trusts, Partnerships, Community Interest Companies, freelancers or the self-employed.
- 3.8 "A key priority of Ministers for this funding is to reach those groups and sectors that have received limited direct financial support from the Scottish Government despite experiencing disruption due to COVID-19 regulations and restrictions introduced since October. In determining where to target this funding, local authorities should therefore prioritise specific sectors and businesses that have received limited or insufficient direct financial support from the Scottish Government since October to enable them to continue trading. This may mean targeting non-premises based businesses given the use of Non-Domestic Rates as a key mechanism for distributing funding thus far. Their connections with the business community in their area mean that local authorities are well-placed to identify and deliver funding towards this particular cohort of businesses. 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."
- 3.9 Local authorities have also been asked to consider how this discretionary fund interacts with eligibility for and access to other types of financial support. This includes the proposed upcoming funds set out at Appendix 1 but also includes Universal Credit and other types of benefit payments.

- 3.10 Ministers have also requested that councils prioritise small and microbusinesses (50 employees or fewer) and the self-employed as the intended recipients of this funding. These types of business are prevalent in the local Borders economy and are typically less resilient to the ongoing disruption caused by COVID-19. Ministers are of the view that such businesses have less capacity to secure funding from alternative sources relative to larger businesses. By targeting financial support towards smaller businesses it is also hoped that a greater proportion of the funding is retained within local communities.
- 3.11 Precedence should also be given to businesses that have experienced disruption without having been specifically required to close or adapt their operations as a result of regulations. This may, for example, include businesses in the supply chain of or that derive a significant portion of their trade from closed or restricted sectors such as hospitality and tourism as well as companies impacted by travel restrictions.
- 3.12 Local authorities are urged to support as many businesses as possible to address the immediate financial challenges that they face with the confines of the funding available and this intention will have a direct impact on the sums which can be provided to each individual business.

#### **Level of Funding Support**

- 3.13 The Scottish Government's general position is that the level of payments should be consistent with support paid through the Strategic Framework Business Fund recognising that companies supported through the discretionary fund are likely to be smaller but recognises the need for flexibility in this regard. It is for local authorities to determine whether they consider one-off grants or regular payments to be more appropriate given the needs of individual businesses.
- 3.14 In taking decisions on the appropriate level of grant, the Council may wish to factor in the level of fixed costs faced by the business in question; the number of employees; whether they are unable to trade online; and the consequent scale of coronavirus losses.

#### **The application process**

- 3.15 The Council will, in line with the approach taken to previous rounds of funding, operate an online application process that allows the fastest possible distribution of financial support to businesses. The process will enable data to be gathered for reporting purposes and will include confirmation from businesses that they are eligible for the grant payment.

#### **Scope**

- 3.16 By definition, and in the absence of definitive guidance as to the scope of application of a discretionary scheme, it is not possible at this juncture to identify how many businesses may be eligible for the fund. It is evidently therefore not possible to identify how much funding should be applied to each individual application without an understanding of the scale of applications.

3.17 It is considered therefore that there are four main approaches to the ways in which the funding could be distributed to business in line with Scottish Government objectives for the fund.

a) A first come first served grant of a fixed amount. By way of example

A grant of £2,000 each could potentially benefit 336 businesses

A grant of £5,000 could potentially benefit 134 businesses

A grant of £10,000 could potentially benefit 67 businesses.

b) An alternative distribution would be to provide an initial payment of, for example, £1,000 to each business, with a top-up allocation of the balance of funding up to a total of £672,000 once the scale of applications is understood.

c) A third model could be to only distribute funding once the number of applications is understood. The scheme would be open for a limited period of three weeks. Funding would then be distributed between those businesses eligible, and the Council may wish to consider a maximum level of grant. In this way the risk of overcommitting the allocation of funding is avoided.

d) Finally, the Council could decide to only target resource at specific sectors of the economy. This however - given the wide availability of grant and support packages - could prove to be problematic and be open to criticism from businesses in need of support, but excluded.

### 3.18 **Assisting Business to Access Grant Support**

The launch of a discretionary business Grant scheme to support businesses not otherwise supported will add to the already complicated framework of grant support set out in Appendix 1. Given this complicated picture it is considered that there is a need to ensure that businesses are assisted to ensure they continue to be able to access all the grant support available to them, and that they are therefore signposted quickly to access this funding. Discussions with partners, including South of Scotland Enterprise (SOSE), are ongoing to put in place this support through Business Gateway.

## 4. **BORDERS BUSINESS GRANTS CRITERIA**

4.1 The proposed criteria for the grant would be as follows:-

<b>Businesses or Sole Traders to be Eligible for a one off discretionary support grant should</b>
Be based in the Scottish Borders, or able to demonstrate that a significant element >40% of annual turnover, trade or employment is generated within the Scottish Borders Council area.
Have less than 50 employees



Be registered with HMRC as a Limited Company, LLP, Company Limited by Guarantee, sole trader, partnership, self-employed individual, or charitable trust, for PAYE, tax and trading purposes at 1 October 2020.
Be able to provide evidence of active trading up to and including October 2020 (unless closed by Covid 19 Restrictions)
Be able to provide evidence they intend to continue trading in the tax year 2021-22
Be able to demonstrate need quantifying the financial impact on the business caused by Covid 19
Be able to demonstrate how the funding would benefit business for example in preserving local jobs.
Not have received other COVID-19 related business support (including but not limited to, Corporate Finance Fund, Future Fund, R&D Focussed SMEs Fund, HMRC Self-Employment Income Support Scheme, Non-Domestic Rates relief, Small Business Grant or other business support, Newly self-employed scheme, Strategic Business Support Fund or grant schemes targeted at specific sectors) since 1 October 2020.
Should not be in line to receive payments from forthcoming schemes as set out in appendix 1 for example taxi and private vehicle operators, and those businesses supporting the wedding sector.
Businesses that are in administration, insolvent, or where a striking-off notice has been made; or businesses who are in receipt of an enforcement notice as a result of breaching COVID-19 Regulations are <b>not</b> eligible for funding.
Individuals in receipt of state unemployment related benefits are excluded.

**The Council reserves the right to amend these criteria at any time.**

## **5 IMPLICATIONS**

### **5.1 Financial**

There are no additional financial implications associated with this report, its content referring specifically to the distribution of a cash limited £672,021 grant from the Scottish Government.

### **5.2 Risk & Mitigations**

- (a) There is a risk that applications for support under the grant scheme could exceed the resources identified. This will be mitigated by sifting applications for support through the business grants process thereby only considering businesses which cannot access support in other ways.

- (b) The grant scheme is wholly discretionary thereby mitigating risk to the organisation.
- (c) The sum identified will be strictly cash limited to mitigate financial risk to the Council. The Fund, when exhausted, will be closed unless additional resources are provided by Scottish Government.

**5.3 Integrated Impact Assessment**

There are no equality impacts arising from this report.

**5.4 Acting Sustainably**

There are no environmental effects resulting from approval of the recommendations in this report. There may be economic benefits and consequently social benefits with the introduction of this discretionary fund to ensure businesses survive the impact of Covid.

**5.5 Carbon Management**

There will be no impact on the Council’s carbon footprint as a result of the recommendations in this report.

**5.6 Rural Proofing**

Businesses across the Borders, both in settlements and rural areas, will be eligible to apply for grants, should they meet the criteria of the fund.

**5.7 Changes to Scheme of Administration or Scheme of Delegation**

No changes are required to either the Scheme of Administration or the Scheme of Delegation as a result of the proposals in the report.

**6 CONSULTATION**

- 6.1 The Monitoring Officer/Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR & Communications, the Clerk to the Council and Corporate Communications have been consulted and any comments received incorporated into the final report.

**Author(s)**

Name	Designation and Contact Number
David Robertson	Executive Director of Finance and Regulatory Services X5812

**Approved By**

**David Robertson**

**Executive Director, Finance and Regulatory Services**

**Signature.....**

**Background Papers:** N/A

**Previous Minute Reference:** N/A

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. David Robertson can also give information on other language translations as well as providing additional copies.

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Appendix 1 – List of Scottish Government Funds and Funding Intentions

**List of Scottish Government Funds and Funding Intentions**

<b>Name of Fund</b>	<b>Announce</b>	<b>Description</b>
Small Business Bonus Scheme Grant	18 March	A £10,000 grant for eligible businesses that operate from Non-Domestic Rates paying premises with rateable value below £18,000 or in receipt of rural
Retail, Hospitality and Leisure Grant	18 March	Grants of up to £25,000 for businesses in the retail, hospitality and leisure sectors that operate from premises with a rateable value between £18,000 and
Sea Fisheries Hardship Fund	25 March	Fund providing payments to operators of Scottish-registered fishing vessels which have lost their source of income due to markets collapsing during the coronavirus (COVID-19) outbreak and have no other
Creative Scotland Bridging Bursary Fund	27 March	A <b>£2m fund</b> to help sustain freelance creative professionals who had lost earnings due to the cancelation of work as a result of COVID-19
Screen Scotland Bridging Bursary Fund	27 March	A <b>£1.5m</b> fund for freelance or self-employed screen practitioners who had lost income from their work due to COVID-19.
Scottish Seafood processors Support Fund	13 April	£10 million fund for fishing and seafood processing businesses
Creative, Tourism & Hospitality Enterprises Hardship Fund	29 April	A £30 million Fund to support small companies in tourism, creative industries and hospitality experiencing immediate hardship, due to ineligibility for other COVID-19 Government. The focus was to help companies who could demonstrate a negative cashflow position over three months and those furloughing staff were eligible to
Newly Self-Employed Hardship Fund (Phase 1)	29 April	£34 million fund providing non-repayable hardship relief grant payments of £2,000 to those unable to access the UK Government's Self-Employed Income Support Scheme by virtue of being newly self-
Pivotal Enterprise Resilience Fund	29 April	£45 million fund providing grant to businesses that can play a critical role in supporting Scotland's recovery but need some immediate support. It might be to get back up and running or to maintain or
Aquaculture Hardship Fund	22 June	Hardship grants of up to £27,000 are being made available for around 100 businesses which make a full time living from shellfish growing and trout
Performing Arts Venue Relief Fund	3 July	A targeted £12.5 million fund to support Scotland's performing arts venue. Specifically to help venues who cannot yet reopen to their audiences due to the ongoing impact of coronavirus (COVID-19).

Grassroots Music Venues Stabilisation Fund	10 July	£2.2 million fund to Support for grassroots music venues across Scotland
B&B Hardship Fund	16 June	A £3 million fund specifically for B&Bs operating from a personal bank account

Appendix 1 – List of Scottish Government Funds and Funding Intentions

Museum Recovery and Resilience Fund	25 July	A £4 million Fund to provide support for Scotland’s museums and galleries. The fund will aid the return of staff from furlough and the wider reopening of museums and galleries
Hotel Recovery Fund	29 July	£14 million fund specifically to support and sustain Scotland’s larger hotels and to protect sustainable employment within this sector.
Youth Arts Fund	August	£3m Youth Arts Fund to ensure creative opportunities for children and young people continue to exist across Scotland despite the Covid-19 pandemic.
Support Scheme for Self-Catering Businesses	3 August	Fund self-catering businesses who haven’t received any support via other funds as a result of the. Successful applicants received a one-off grant of £10,000.
Events Industry Support Fund	24 August	A £6 million fund to help the events sector recover businesses in the events industry, particularly those in the supply chain that are facing hardship may be eligible for a one-off grant of £10,000
Sustaining Creative Practice Fund	3 September	A £5m Fund to support artists to continue developing new creative work that will make a significant contribution to Scotland’s recovery from Covid-19.
Independent Cinema Recovery and Resilience Fund	14 September	A £3.5million fund to help secure the survival of Scotland’s independent cinemas, enabling them to re-establish and adjust their business models in response to Covid-19. The fund addresses the critical financial need faced by Scotland’s independent cinemas to enable them to return to full-time operation, significantly reducing the risk of wide-spread redundancies and closure of vital community assets.
Cultural Organisations and Venues Recovery Fund	14 September	A £15 million providing emergency support to organisations that provide opportunities for cultural engagement and have been unable to trade due to the impact of Covid-19. Its primary aim is to protect jobs and to support the sustainability of organisations threatened by insolvency in the short to medium term.
Introduction of Temporary Restrictions and Strategic Framework		
COVID-19 Restrictions Fund – Closure and Hardship	9 October	£28 million fund for businesses in the five health board areas that were closed by regulation or those across Scotland that remained open but were significantly impacted by the restrictions including those in the direct supply chains of firms that must close. This fund was specifically to cover the period between 9 October and 2 November
COVID-19 Restrictions Fund – Furlough Grant	9 October	£9 million fund to contribute to Furlough Costs and support employees in businesses in the Central Belt that were closed by Regulation between 9 October and 2 November.

COVID-19 Museum Development Fund	21 October	for Accredited Scottish museums that have NOT been eligible for the Recovery & Resilience Fund providing awards of up to £60,000 it will enable these organisations to undertake projects that will help them to build their resilience and start to address some of the challenges brought about by the Coronavirus pandemic
Hardship Fund for Creative Freelancers	26 October	A £5m fund to address the current financial hardship being felt by creative freelancers who normally work in the culture sector, but whose work has been impacted by Covid-19.

Appendix 1 – List of Scottish Government Funds and Funding Intentions

COVID-19 Restrictions – Contingency Fund	27 October	For pay to play soft play centres and nightclubs that have been closed by regulation between March and November.
Strategic Framework Business Fund	2 November	Grants of up to £3,000 (depending on rateable value) every four weeks for businesses required to close by law and up to £2,100 (depending on rateable value) every four weeks for businesses specifically required to modify
Scotland’s Events Recovery Fund	3 November	£2.75m fund designed to support the restart of events and help organisers meet the additional costs of COVID-19 mitigation in event planning and delivery
Food and Drink Resilience Wholesale Fund  (Scottish Government)	5 December	£5 million fund to target food and drink wholesalers that sell into the hospitality and contact catering trade and which are experiencing significant financial hardship
<b>Upcoming Funds</b>		
Contingency Fund Plus	January	Additional NDR based support for Travel agencies, coach and tour operators, visitor attractions, visitor accommodation hostels. Brewers and indoor football centre
Newly Self-Employed Hardship Fund (Phase 2)	January	A re-run of the Newly Self-Employed Hardship Fund launched in April providing non-repayable hardship relief grant payments of £2,000 to those unable to access the UK Government’s Self-Employed Income Support Scheme by virtue of being newly self-
Taxi and private vehicle operators	January	A national scheme has been announced which will provide one-off payments to taxi and private hire
Wedding Sector	January	Funding has been announced for the wedding sector and suppliers.
Tourism Sector	January	Additional funding has been announced for the outdoor tourism sector, B&Bs and guesthouses (excluded from NDR Scheme), self-catering accommodation, inbound tour operators, snowsport sector as well as a top-up payment for hospitality
Events Sector	January	Funding will provided for the events industry including suppliers, strategically important events companies, live music venues as well as travelling
Mobile Close Contact Services	January	Financial support in the form of one-off grant payments to those who run mobile close contact service businesses as per the definition set out in the Health Protection (Coronavirus) (Restrictions and Requirements) (Local Levels) (Scotland) Regulations
Commercial Arts Organisations		Additional funding for the Museums Recovery and Resilience Fund as well as support for commercial arts organisations most affected by continuing loss of



Further Support for Leisure, Retail and Hospitality		Further grant support for the retail and hospitality sector announced by the Cabinet Secretary for Finance w/c the 10 Jan 2021
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