

Subject:	Covid-19: Support for Business		
Date of Meeting:	29 May 2020		
Report of:	Executive Director Economy, Environment & Culture		
Contact Officer:	Name:	Cheryl Finella	Tel: 01273 291095
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Ward(s) affected:	All		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 This report sets out the programme of business support work being undertaken by the Economy and Events Cell, which has been set up to respond to the Covid-19 Crisis. This includes responding to and delivering the government support programme. The report also proposes a package of support measures from the city council to help businesses through this difficult time.
- 1.2 This report also outlines a framework and a rationale for determining eligibility for a fund of discretionary grants. Recognising that businesses have been facing difficulty for some time, this proposal aims to offer grants to businesses that have not been able to access other support and is intended to help protect and retain many of the companies that are essential to the city's economic recovery from the pandemic. The scheme is intended to enable speedy decision-making while also ensuring probity and appropriate diligence for public funds..

2. RECOMMENDATIONS:

- 2.1 That members note the work being undertaken to deliver business rates relief and business grants to local businesses.
- 2.2 Agree the rationale and process for administering the discretionary grants for business, and delegate the agreement of the detail of the application and assessment process to the Executive Director Economy, Environment and Culture, and acting Chief Finance Officer
- 2.3 Delegate final approval to make grant awards to the Executive Director Economy, Environment and Culture, in consultation with a professional panel to include representatives of business groups who helped to prepare the Economic Strategy,
- 2.4 Agree to underwrite income to the Brilliant Brighton Business Improvement District (BID) for 2020/2021, up to a maximum of £350,000.
- 2.5 Agree to waive the business membership fees for Visit Brighton for 2020/2021 for six months to a maximum cost of £100,000.

- 2.6 Allocate £15,000 from the 2020/2021 Economic Development Budget to cover the operating costs of the Brighton and Hove Economic Partnership.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 The Government has set out a package of support measures with the aim of supporting businesses through the period of the public health crisis. The city council has been responding to and delivering the government support programme.

Expanded Retail Relief

- 3.2 This relief effectively provides a 'payment holiday' for 20/21 for most businesses in the retail/hospitality sector. There are qualifying criteria which limits the award to premises where there is public access and effectively excluded office-based services, warehouses and supply chain organisations. As at 19 May 2020 the Council had awarded £70.0m in relief to 2776 businesses.

Business Grants

- 3.3 The business grants scheme provides single payment awards for business eligible for the expanded retail relief and/or small business rate relief subject to further verification criteria. The council's initial estimate was that there were a potential 5536 businesses that may benefit from this scheme to an estimated value of £73.4m. As at 19 May 2020 4426 payments have been made to the financial value of £60.8m representing 82.8% of the target figure.
- 3.4 The first payments to businesses started on 3rd April and 8th of April mainly to businesses that paid their rates through direct debit. This was followed by payments to businesses where enough details were held by the council on the businesses to ensure that payment went to the correct recipient. A communications plan was developed to raise awareness of the grant from the start of the programme, including updates and information to business partners across the city and targeting mailings. Businesses were then able to register their details via the council's MyAccount portal so that their application could be verified prior to payment. Small businesses have been able to claim 100% business rate relief for the last three years. As a result, many businesses which have changed hands or closed down have not updated their records with the council. Payments to businesses where information is not up-to-date have necessitated further checks to verify claims.
- 3.5 Work continues to contact businesses that may be eligible. Within that work it is evident that the original estimate will eventually be revised. Some businesses on the original list are no longer operational, ineligible for technical reasons or have moved premises. Some premises which were believed to have been occupied are now empty. Reviewing how the scheme has been interpreted nationally, has helped in identifying new business areas that can be included. Officers are also being contacted by new businesses that they were previously unaware of, notifying us of their premises occupation.

Proposed Discretionary Grant Scheme

- 3.6 This proposal is aimed at supporting businesses that were not able to access the main grant fund and those that will be key to the economic recovery of the city. This is in line with the council corporate plan and the city economic strategy.
- 3.7 On 2 May the government announced a 5% uplift in the allocated small business grants fund to be used by local authorities as a discretionary fund in support of businesses who fall outside of the current eligibility criteria.
- 3.8 This extension to the discretionary fund is for businesses that are not eligible for the government fund. Local authorities have been given licence to make payments to other businesses based on local economic need. The guidance suggests that local authorities prioritise the following businesses; businesses with ongoing fixed property costs, businesses 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. However, the guidance makes clear that the final decision rests with the local authority and should be based on their economic priorities.
- 3.9 The only exceptions to this discretion are:
- that businesses must have been in operation on the 11th March 2020;
 - must not be insolvent or in administration
 - must not have received a Covid 19 business support grant; and,
 - must not have been in financial difficulty before December 2019
- 3.10 The government has set out three levels of grants payments to business; £25,000, £10,000 and amounts under £10,000, (local authorities have discretion to make payments of values under £10,000 but cannot change the larger grants of £25,000 or £10,000). Businesses will be assessed through an application process to determine which level of funding they will receive.
- 3.11 The allocation of funds to local authorities is based on 5% of their forecast business grant expenditure as at 4 May 2020 (using a grant under section 31 of the Local Government Act 2003). The payment forecast for the business grants in Brighton & Hove is £73.5 million, so 5% is equivalent to £3.68million. If more is paid out than the estimate given on 4 May then the 5% will be based on the larger figure. However if less is paid out than the estimate given at 4 May 5% will not be reduced.

Beneficiaries of the fund

- 3.12 Government guidance requires local authorities to set out and publish the application process for the fund and base the selection criteria on local priorities. The city council's economic priorities have been set out with its corporate plan and economic strategy and have therefore been used to determine local priorities for the fund.
- 3.13 Brighton & Hove has a diverse economy with the visitor economy accounting for around 18,000 jobs (13% of all jobs), 16,000 retail jobs (11% of all jobs); and growing levels of employment in culture and creative, digital and IT (4,500 and 7,000 jobs respectively). There are a significant number of small and micro-

businesses and the city has the highest business start-up rate in the UK after London with a relatively high level of business churn (the number of business starts vis the number of business closures). These sectors, along with education, have been described as core sectors within the city Economic Strategy. Alongside the core sectors this fund will also prioritise businesses that make a significant contribution to the city economy, including charities and not-for-profit organisations.

3.14 The Events and Cultural Industries sectors have been badly affected by the Covid-19 crisis because they rely heavily on ticket sales generated between April and October each year. These sectors draw millions of people into the city, contributing significantly to the visitor economy and to retail. Without the Events and Cultural Industries sectors, Brighton and Hove will lose much of what makes the city unique, and their viability is currently at risk. At this time, 95% of the city's 2020 outdoor events calendar has been cancelled.

3.15 Based on this assessment it is proposed that the Brighton & Hove discretionary fund will prioritise the following businesses:

<ul style="list-style-type: none"> • Events • Arts, culture and creative industries • Retail • Business in shared work space and the managers of shared workspaces • Charities, Community Interest companies and third sector organisations who undertake commercial operations • Businesses with high fixed costs that do not pay business rates 	<ul style="list-style-type: none"> • Locally based businesses in leisure including bed & breakfasts • Long established companies that have invested in their business • Market traders with fixed locations in the city and with fixed costs • Businesses employing between 20 and 50 employees or with high turnover
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3.16 In line with the government guidance and the council's corporate plan and economic strategy priorities the following businesses will not be eligible for the fund:

<ul style="list-style-type: none"> • Businesses that have already received a Covid 19 business support grant • National/ International chains • Businesses with over 50 employees • Short term residential and holiday Lets (e.g. Air BnB's) 	<ul style="list-style-type: none"> • Businesses that have been declared insolvent • Businesses that ceased trading before the 11 March 2020 • Businesses in financial difficulty before December 2019 • Businesses with no fixed costs (e.g. rates, rent, mortgage)
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3.17 The process of selection will start with an eligibility check based on the table above to ensure that only those eligible to apply go forward to complete a full

online application form.

- 3.18 The process will start with marketing and publicity to businesses and support organisations, notifying them of a set window when applications will be invited. This approach is considered preferable to a first come first served approach which will not necessarily target support to the most appropriate businesses.
- 3.19 Applications will be via the MyAccount online portal which is already set up to capture business information. Subject to member approval eligible applications will be assessed against the following assessment criteria, which support the goals of the Economic Strategy and the Corporate Plan.

Assessment Criteria

- **Local economic importance** - no of jobs saved, delivering essential services, businesses with a record of supporting city resilience during the Covid 19 crisis, community/ social value, importance to a local area
 - **Supporting the city's economic success** - through wage levels, generation of employment, levels of export (a marker of business resilience), able to demonstrate business innovation (creating new products or services)
 - **Supporting key sectors/sub-sectors** - the role the business plays in local networks such as providing services or as a link in a chain that creates or delivers products or services, integral to the delivery of city strategies such as skills training delivery
 - **Commitment to a carbon neutral city** - what actions has the business taken to reduce carbon emissions, (for example; reuse / recycling of materials, waste management, use of sustainable transport for staff / products)
 - **Impact** - loss of the business leading to additional costs to the city, e.g. avoiding the need to recommission a service or procure the service from other suppliers
 - **Levels of future Investment** - evidence of investment during the last 12 months in upgrades to premises, new equipment, staff training and apprenticeships, new modes of operation such as investment in digitisation or other forms of diversification.
 - **Purpose** - Able to explain what they are using the money for, evidence that they have coherent plans for the future of the business and evidence that the business has a viable future
- 3.20 Subject to member agreement, once the application deadline has passed, officers within the Economic Development team and the Culture, Events and Tourism team will undertake a first sift, assessing and scoring applications against the above assessment criteria, consulting with officers from other teams where necessary.
- 3.21 Following this an assessment panel comprising senior officers from City Development & Regeneration, Events & Culture, Business Rates and Finance along with three external consultees from Brighton & Hove Chamber of Commerce, The Brighton & Hove Economic Partnership, and the Federation of Small Business will review the scored applications, consider the balance of awards to ensure that allocations reflect the agreed priorities and make the final decisions on grant applications. To avoid bias external partners will be required

to declare any conflicts of interest to the panel. The external partners all helped in the preparation of the city's Economic Strategy, so understand the city's economic priorities.

- 3.22 Throughout the process there will be regular internal and external communications to ensure that businesses, members and MP's are kept abreast of the various stages and how the work is progressing. Progress reports will also be presented to the Policy & Resources (Recovery) Sub Committee. The government has stated that it will be monitoring local authorities regularly to track the progress of payments and has indicated that they expect payments to start from early June. However, they have also stipulated that local authorities must implement an application process which necessitates a longer process. So there will be a balance to be struck between speed and how precisely the grants are targeted.
- 3.23 The proposed timetable for Brighton & Hove if the recommendations in this report are: Publicity and marketing to promote the fund will be organised via the Communications team and through local networks which will include the dates when the portal will be open
- 3.24 This report seeks a delegation to the Executive Director Economy, Environment and Culture to prepare the detail of the application and assessment process and make grant awards based on the advice of the panel mentioned at 3.21. If additional funding becomes available, then the businesses that scored highly against each fund, but could not be supported because of budget limitations, may be offered some financial support from the fund.

Business Improvement District

- 3.25 Encouraging a strong local economy is not just the responsibility of the city council. As well as individual businesses and residents being stakeholders, a number of business umbrella groups exist to promote the economy. These include the Brilliant Brighton Business Improvement District (BID), Visit Brighton and the Brighton & Hove Economic Partnership (BHEP).
- 3.26 Brilliant Brighton BID comprises 517 businesses each paying an additional levy towards activities that enhance the city centre and drive footfall to the area. Established since 2006 the BID is now its third, five-year term. The latest of which started in 2016. The BID pays for Christmas Lights, dressing the city for summer, marketing and publicity; and four City Ambassadors whose role is to provide additional security for traders, help direct shoppers, and signpost vulnerable people to local support services.
- 3.27 In 2019 the BID ambassadors returned stolen goods worth over £42,000 to retailers. They spend a large amount of time working with the street community including signposting them to local support services. They also deal with anti-social behaviour and medical issues. Along with the main funded activities the BID uses its collective muscle to negotiate discounts for its members, including, waste management, professional services, NCP discounts, promotional activity and training.

- 3.28 On 18 March the government introduced a business rate holiday for retail, hospitality and leisure businesses for the 2020 to 2021 tax year. While this was a welcome move by retailers it has presented a challenge to the UK BID network as the levy is collected alongside the business rates. The concern expressed by British BID's was that collection of the levy will be harder now that businesses have been given a twelve-month payment holiday on their rates.
- 3.29 In response to these concerns on the 1st May the government announced a £6.1million support fund for BIDs with each BID area getting the equivalent of 5% to cover their operating costs for three months. For Brilliant Brighton this equates to £17,500 (enough to cover the costs of the BID's two staff for one quarter). This calculation is based on 5% of the £350,000 operating costs for Brilliant Brighton BID.
- 3.30 Brilliant Brighton BID pays Brighton & Hove City Council to collect the levy on its behalf. This is done on a monthly basis and the funds are then transferred to the Brilliant Brighton account on a monthly basis. Of the 517 levy payers in the BID area only 25 of them were open during the lockdown; it is likely that many will remain closed until the later stages of the government's programme to restart the economy due to the challenges of implementing effective social distancing measures within constrained spaces.
- 3.31 The latest guidance from government is that local authorities should consider front-loading local BID's to enable them to meet their commitments to business. This practice is already in operation in many BID areas. Front loading will mean providing the levy to the BID in advance of payments being received by the council and therefore providing cashflow support. From July 2020 it is proposed to make 4 quarterly payments totalling £350,000 with the council being reimbursed through the levy collected from business being retained by the council. This approach will involve risk to the council of bad debt, due to the fluctuating economy. However, it is important to note that if a levy payer's businesses folds the requirement to pay the levy then falls to the landlord. It is expected therefore that the levy collection rate should remain high although the time it takes for the payments to come in may be longer.
- 3.32 The Brilliant Brighton Bid will be a key partner with the city council in planning how we deliver a Covid-secure city centre retail and leisure environment during the recovery phase. They will continue to play a key role in promoting the retail sector and improving the retail environment. This helps Brighton to retain its competitive advantage as a regional shopping centre.

Visit Brighton

- 3.32 Visit Brighton is the official destination management organisation for Brighton & Hove and part of city council. It promotes the city regionally, nationally and internationally to leisure and business visitors. Visit Brighton comprises 530 tourism business partners, each of whom pays a partnership fee, which is determined by their business type, size and footfall. Where applicable, partners pay commissions on any conference business placed in their venue / premises. These fees and charges in total account for 53% of Visit Brighton's operating budget.

- 3.33 From April 2019 to March 2020, Visit Brighton generated £1.8m of positive press coverage for Brighton & Hove in regional, national and international media. Nearly two million people consulted visitbrighton.com for city information, whilst 100,000 viewed social media platforms run by VisitBrighton. Last year the VisitBrighton conference bureau confirmed 56 conferences and events which generated economic benefit of £40m for the city.
- 3.34 Visit Brighton works collaboratively with regional and national tourism organisations, including Gatwick Gateway, Tourism South East, Visit England and Visit Britain to ensure that the interests of our tourism sector are represented and thus reflected in activity and policy.
- 3.35 Given the loss of tourism revenues in the city, to support the work of VisitBrighton over the course of 2020/21 it is proposed that £100,000 is allocated to their budget, which represents waiving six months of partnership fees, plus an allowance to cover the partners who will not be able to pay fees in October 2020. The business partnership year runs from 1st April to 31st March; businesses signed partnership renewal forms in Feb/March (before lockdown) and were due to be invoiced on 1st April. Invoicing has been temporarily put on hold.
- 3.36 The waiver of fees would demonstrate the commitment the city council has to the resilience and recovery of the tourism sector, which currently supports 21,448 actual jobs, 15.7% of all employment in Brighton & Hove.

Brighton & Hove Economic Partnership (BHEP)

- 3.37 The Brighton & Hove Economic Partnership is a group of over 50 individuals from the private, public and voluntary sector who work together in support of the local economy. It works with the city council to produce the economic strategy, with the Local Enterprise Partnership on their Strategic Economic Plan and Local Industrial Strategy; sits as a business partner on the Greater Brighton Economic Partnership and facilitates local debate and engagement on a range of national and local economic issues such as housing, transport, connectivity, jobs and skills.
- 3.38 During the Covid 19 crisis the BHEP has been commissioned to provide fortnightly reporting on business issues across Brighton & Hove, including sector focused reports giving an overview of the issues and actions of the local business community. They will lead on business consultation throughout the lockdown and into the recovery phase drawing from a range of local organisations such as language schools, developers, co working spaces, charities, finance, retail, leisure, pharmaceuticals, education and others. The reports, virtual meetings, flash surveys and dedicated web portal that they have created will help to inform the city's recovery plan, assist in lobbying for support from regional and national government; and, facilitate collaborative working between the partners, the BHEP and the city council.
- 3.39 BHEP does not charge for membership. Initially set up by the South East Regional Development Agency the Economic Partnership had to seek alternative sources of funding when the RDA's were disbanded. In recent years BHEP has been funded through the income that it generates from the booking of on-street promotions. Following the government's lockdown all on-street promotions

ceased along with future bookings. Bookings are unlikely to commence until the lockdown is lifted. This has meant a complete loss of income for the partnership and the loss of funding to pay for their only member of staff.

- 3.40 In order to support the work of BHEP it is proposed that £15,000 be allocated from the 2020/2021 Economic Development Budget to cover the operating costs of the BHEP and help to mitigate the loss of income from on-street promotions. This will ensure they are able to continue being a strong partner in the city's economy during the recovery phase.

4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 There are around 13,500 businesses in the city, approximately 5,500 are eligible for the current government business support programme. That leaves the majority without access to grant funding. The proposal within this report aims to provide further support through the discretionary grant fund to struggling businesses and aid the process of recovery. Demand for this new discretionary fund will be high and it will not be possible to help all of the businesses in need. It is vital therefore that a fair and transparent process for assessing and prioritising funding requests is implemented. The only alternative would be to distribute the grants in a quicker but less fair and less targeted way, such as 'first come first served.' But this would not meet the economic needs of the city.
- 4.2 The city council could also opt to not support key organisations within the city. However, initiatives like the BID, Visit Brighton and BHEP are important to the city's economy, and will be a key part of the recovery as we move into the next stage of the pandemic.
- 4.3 If the city council does not underwrite the contributions to the BID, then it is possible the BID will cease to be a viable operation. The most obvious and immediate impact of this would be that the ambassador service would have to be laid off, and retailers in the city centre would not benefit from the security and stock protection part of their role, in a time where there may be a more challenging economic and societal situation. At Christmas, the main part of the city centre would not have any Christmas lights, which would be a huge economic and political issue, potentially resulting in the city council having to pick up that cost but without the pre-existing contracts in place.

5 COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 One of the main work streams of the Economy and Events Cell has been publicising to businesses how they can operate in these challenging circumstances, and how they can access various support packages being proposed.
- 5.2 The work being done by BHEP referenced above will feed information into the city council's resilience planning over the coming weeks, with regular meetings to discuss the ongoing needs of business through that group.

6. CONCLUSION

- 6.1 Brighton & Hove has the highest business start-up rate outside of London; it has many small and micro businesses and a dynamic visitor economy. The government recovery plan suggests that many areas of the local economy will be among the last to re-open. This will have an ongoing impact on jobs, business resilience and the ability of the city to recover.
- 6.2 Members are asked to agree the package of measures proposed in this report which will help to mitigate the negative impact of the Covid 19 lockdown and aid the process of local economic recovery.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The discretionary grants fund is based on 5% of the estimated value of the Business Grants to be paid locally. This equates to £3.680m and is fully funded from government grant already received. However, the level of funding could fluctuate depending on the final business grants paid. At present £60m grants have been paid and therefore the lowest discretionary fund level would be £3m. The proposed allocation process will ensure the council is able to manage within the allocated funding.
- 7.2 The council currently collects the Business Improvement Districts' levy and passes over income received each month. The proposal to fund the annual levy in advance each quarter for the year to July 2021 will provide the BID with cashflow during a period when the majority of businesses are closed. The cashflow support will be paid quarterly from July totalling £0.350m over a year and will be offset by the council retaining the levy payments from businesses within the BID. There is a risk of bad debt from business failure however the collection rate of levy payments in the past has been extremely high. The impact on loss of investment income is insignificant.
- 7.3 VisitBrighton is funded by over 50% from partnership fees from local tourism businesses. The proposed fee holiday of 6 months is estimated to lose £0.100m in income from businesses that are some of the hardest hit with the lockdown. This loss has been anticipated in estimated income loss projections to government. This loss of income will be reflected in Targeted Budget Management (TBM) reports to Policy and Resources Committee.
- 7.4 The allocation of £0.015m to the Brighton & Hove Economic Partnership will be funded from existing budgets.

Finance Officer Consulted: Name James Hengeveld Date: 18/05/20

Legal Implications:

- 7.5 The provision of funding to businesses might be regarded as state aid. However, the European Commission has now approved the UK government's support scheme which allows payments of up to €800,000 to a company to address its urgent liquidity needs. These proposals are therefore considered to be state aid compliant.

Lawyer Consulted: Alice Rowland Date: 18/5/20

Equalities Implications:

- 7.6 The measures set out in this report will safeguard employment, local businesses and the economy. The discretionary fund will help to ensure that there is a fair and transparent decision-making process in the allocation of funds to business.

Sustainability Implications:

- 7.7 This report seeks to build local business resilience and a sustainable local economy.

Brexit Implications:

- 7.8 None

Any Other Significant Implications:

- 7.9 None

Crime & Disorder Implications:

- 7.10 The Brilliant Brighton BID employs four City Ambassadors to help with theft and anti-social behaviour. Supporting the BID will ensure that these services are able to continue.

Risk and Opportunity Management Implications:

- 7.11 The proposed process for the allocation of the discretionary fund will reduce risk to the council. By adopting the portal as the route to the fund the council will be able to implement the necessary safeguards and evidence for audit.

Public Health Implications:

- 7.12 None

Corporate / Citywide Implications:

- 7.13 This proposal is in line with the council's Corporate Plan to support the local economy and the Economic Development Strategy which aims to support economic growth.

SUPPORTING DOCUMENTATION

Appendices:

1. None

Background Documents

1. None