

22 May 2020

Paul Scully MP

Minister for Small Business

By email

Dear Minister

Thank you for the time you spent to discuss the issues surrounding discretionary grants on Wednesday 20 May.

As you know, British Chambers of Commerce warmly welcomed the BEIS announcement of a discretionary fund for small businesses on 2 May. Many businesses had been falling through the gaps around the original business rates grant scheme, particularly those who paid business rates indirectly via overall rents.

As the scheme has continued to be developed, we have grown concerned with emerging problems with the details of scheme design, the level of funding needed and implications on the ability of local authorities to implement. With its present design the scheme is filtering out the majority of businesses it is designed to help. Particular issues have included:

1) The size of the discretionary fund is insufficient to meet demand from eligible businesses

Our discussions with local authorities in some areas initially estimated, for example, that charity groups alone could use up all the funding grant, whilst B&Bs were also potentially a very large claimant group.

We are therefore concerned that the available money will run out quickly and that businesses who are eligible and in financial distress could lose out.

The available level of funding in some local authorities will also mean very small grants compared to the original scheme – which are likely to be insufficient from stopping some businesses from going under. This could mean to unwanted levels of economic damage and emerging tensions between businesses, local authorities and central government.

This risk is enhanced by a possible post code lottery effect – with different cohort sizes within a council's area the levels of grant awarded to substantially the same business could vary widely across LA areas.

2) The exclusion of the self-employed from eligibility to receive grants.

Before the scheme has even been launched our Chamber network colleagues are getting many self-employed businesses contacting them who do not understand why they are not eligible. We believe most workspace businesses and market traders are self-employed.

Both the original grants scheme and the discretionary schemes are meant to target businesses who have high levels of fixed property costs that they cannot reasonably avoid during the lockdown period. Neither of the two original grant schemes excluded claimants based on their legal form.

As you know, the Self Employment Income Support Scheme ('SEISS') assesses support levels based on profit and not business costs and outgoings.

Many of the workspace businesses we are working with are self-employed and have high ongoing costs that they are unable to meet. We know of several that feel they are likely to have to fold without access to the grant.

3) **The additional administrative complexity increases the risk of delay**

As you know, time matters to many businesses now in the ninth week of low or non-existent levels of income.

Our local intelligence suggests that many local authorities are struggling to design this scheme and deal with potential administrative complexities: for example understanding how to prioritise within diverse groups against need, demonstrating 'significant fall in income due to Covid-19' and filtering out B&Bs from rented premises/rooms hosted on platforms such as AirBnB. It's also unclear how a Local Authority can verify whether the applicant business would be eligible for SEISS either at the time of application or as part of post assurance checks.

If the scheme is distributed on a first come first served basis, the chances of unequal outcomes rise significantly.

Next steps

We therefore ask that you consider the following changes to the scheme:

- Increase the size of the discretionary fund to ensure that all local authorities have sufficient funding to support all eligible businesses identified by BEIS. Local authorities would need to demonstrate they have an oversubscription of eligible businesses to access additional funding.
- End the current exclusion of businesses eligible for SEISS, given it screens out the majority of businesses the policy is designed to help.
- If there emerges a major discrepancy between the levels of grants being given to trading businesses between local authorities, additional funding is given to ensure businesses receiving low levels of grant are topped up if they can demonstrate significant financial distress.

We would be happy to work with your civil servants in helping to draw up these changes. We would also be happy to provide you with examples of either businesses who are either unable to access the grant due to over demand or self-employment ineligibility or share examples of inconsistencies in implementation across the country as these emerge.

Best wishes



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British Chambers of Commerce



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