

Data modelling of the four national priorities

Local Authority Discretionary Grants Fund

1.0 Background

- 1.1 The methodology behind the initial business grant scheme of £10K & £25K grants was to reflect approximately 3 months worth of fixed costs.
- 1.2 In order to help inform and shape final policy we've analysed the four areas the government have prioritised for this additional funding to try and put this into context for East Devon as well as coming up with a methodology for determining the level of grant payment that aims to be relative and fair to businesses.
- 1.3 The four national priority areas are:
- Small businesses in shared offices or other flexible workspaces. Examples could include units in industrial parks, science parks and incubators which do not have their own business rates assessment.
 - Regular market traders with fixed building costs, such as rent who do not have their own business rates assessment
 - Bed & Breakfast which pay Council Tax instead of business rates
 - Charity properties in receipt of charitable business rates relief which would otherwise have been eligible for Small Business Rates Relief or Rural Rate Relief.
- 1.4 The government guidance states that funding is primarily aimed at businesses with high ongoing fixed property- related costs and it is expected that the majority of grants will go to businesses with premises costs. In order to determine the appropriate level of grant payment we have considered the fixed building-related-costs that would be attributable to each of these priority areas (excluding B&Bs) as we recognise that most of the government priority areas are focussed at small and micro businesses which are likely to predominately have low levels of employees.

2.0 What local data do we have?

2.1 Priority area 1 – Shared offices & flexible work spaces

2.1.1 Types of business that will fall into this category:

Type of premises	Examples
Shared offices	Business space you can book, open plan office space for members, flexible office space, business centres, etc.
Shared workspaces Retail/ shops and services	Nail bars, beauty salons hairdressers, antique centres, small independent retail spaces where they operate from larger premises.
Holiday chalets within business rated holiday parks	Private individually owned chalets within holiday park where they pay an inclusive site rent for business rates
Industrial units – storage, workshops, etc.	Industrial space where premises have sub-let

- These are mainly small businesses that are likely to have low levels of employees and with relatively low levels of fixed premises costs.
- The highest area of potential claims in shared spaces could come from businesses in the retail sector (hairdressers, shops, etc).
- There will be a significant number of businesses that are in shared spaces that are not known to us and makes it incredibly difficult to be able to predict demand

2.1.2 The level of rents that businesses in these shared flexible spaces will vary. For instance a business in a shared office with a 'hot desk' type set up could be spending less than £250.00 per month, whereas rent a chair in a hairdressing salon or nail bar could be in the region of £450.00 per month. Renting industrial space for storage within an assessment could be in region of £300.00 per month dependent upon size, location, etc.

2.1.3 Set out in the table below is the level of rents charged at Honiton Business Centre which are inclusive of service charges:

	Size in square metres	Approximate number of desks	Cost per month	3 months rent
Small	18	2-3	£481.50	£1,444.50
Medium	34	5-6	£837.36	£2,512.08
Large	46	7-8	£1,229.60	£3688.80

2.1.4 It is likely that most of the flexible workspaces which are in shared spaces will have inclusive rents but this may not be the case in all instances. The table below provides a method for using 3 levels of grant payment to reflect 3 months fixed building related costs.

Annual rent/lease/licence costs	Monthly costs (Fixed costs)	3 months rent/fixed costs	Level of grant payment
Less than £3,600	< £300	Up to £900	£1,000
£3,600.01 to £6,000	£300.01 - £500.00	£900.01 to £1500	£2,500
£6000.01 >	£500.01 >	£1501 >	£5,000

2.1.5 Have modelled costs on four levels of potential claims using the three levels of grant payments (proposed by Devon) to try and give an idea of likely cost:

No of potential claims	Based on 3 level of grant payments		
	£1K	£2.5K	£5K
50	£50,000	£125,000	£250,000
100	£100,000	£250,000	£500,000
200	£200,000	£500,000	£1,000,000
300	£300,000	£750,000	£1,500,000

Note: This table is for illustration purposes and we may get significantly more claims than what has been identified above.

2.1.6 **Questions:**

- Do you agree that grants should be capped at £5K for shared/flexible space
- Do you agree that there should be 3 levels of grant payments for businesses that are in shared space that will be determined based upon their fixed building-related costs?

2.2 Priority area 2 Regular Market traders

2.2.1 Set out below are the types of markets that we know operate within East Devon although there could be others:

Type of premises	Examples
Indoor markets – regular traders where they operate on a daily basis from premises	Exmouth Indoor Market Country Market in Masonic Hall, Axminster
Outdoor Market	Honiton High Street (operates Tuesday, Thursday & Saturdays) James Rowe, Axminster Market in Trinity Square

2.2.2 In order to meet the definition of a regular market trader this has been defined as at least weekly. Where the market trader trades less frequently from these sites then they will not be considered as priority for a grant. They would also need to evidence that they have regular fixed annual cost, such as a licence fee or storage costs in order to meet the requirement of having 'fixed property costs'..

2.2.3 There will be a difference in cost between the indoor and outdoor market trader and therefore we could reflect this in the level of grant payment. The indoor market trader is likely to be tied into a licence agreement (fixed building related costs) For instance; the indoor market trader (open 6 days a week) is likely to have a higher fixed property cost than the outdoor market trader which may only trade once/twice per week.

Market trader	No of potential claims	Level of grant payment	Estimated cost
Outdoor/ trading less than 4 days per week from site where they have a fixed annual cost	25	£1K	£25,000
Indoor / trading 4+ days per week	30	£2.5K	£75,000
Total			£100,000

2.2.4 Questions:

- Do you agree that unless a market trader has a fixed regular annual licence/building related cost they will not be eligible?
- Do you agree that regular is defined as at least once per week or should it be more?
- Do you agree with having two payment thresholds to reflect the difference between those trading more than 4 days per week compared to those that will be trading less frequently per week?
- Do you agree with limiting them at £1K and £2.5K as set out above?

2.3 Priority area 3 Bed & Breakfast accommodation that pay council tax

2.3.1 Based on VOA guidance on rating of B&B's. They are not subject to business rates if:

- It's short stay accommodation for no more than 6 persons (bed spaces) at any one time.
- the property is the person's sole or main residence
- the bed & breakfast use is subsidiary to the main use.

2.3.2 The technical FAQs (q41) ties in with the 6 bed space but goes onto state that they would expect properties to be wholly or mainly used as guest or boarding premises which is different from the VOA guidance that the use needs to be subsidiary.

2.3.3 It would make sense to adopt the same approach the VOA uses for defining B&B's that pay council tax (no more than 6 bed spaces & has to be their sole or main residence). This would therefore exclude properties that are used as 'second homes' where they do occasional home share type arrangements as they would fall outside this definition. It would also mean that other holiday type self-catering accommodation would not be prioritised. Please note that where holiday accommodation is business rated (available for letting for more than 20 weeks per year) they would have been eligible to the existing grant scheme (subject to meeting criteria).

2.3.4 As the number of guests are limited to 6 persons at any one time (otherwise they should be subject to business rates) it is recognised that these will be smaller commercial establishments therefore there is a valid argument for having a lower level of grant payment to reflect this. The consensus across Devon is that the maximum grant fund is capped at £5K.

2.3.5 Devon authorities are in the process of finalising their own grant bandings. We could approach this by either having three levels of grant payments to reflect the size of the B&B accommodation as shown in the table below or have a flat grant payment which ignores the differing size of B&B under the domestic category:

No of guests at any one time	Level of grant
Up to 2 persons	£1K
Up to 4 persons	£2.5K
Up to 6 persons	£5K

2.3.6 As we don't have complete data on the number of B&B within East Devon together with the number of persons they accommodate then it makes it difficult to estimate the likely number of claims.

- We have data on 60 B&B's. Most of these seem to accommodate between 4 to 6 guests.
- B&B's do not have to register with Environmental health unless they are preparing and cooking food.

2.3.7 It is difficult to predict likely number of claims because we are unable to draw on any accurate data source of B&B's operating in East Devon.

2.3.8 Below is estimated costs based on claims of up to 250 and the level of grant payable being capped at £5K. If we apply a three tier grant payment the costs as set out under 2.3.5 will be less.

No of potential claims	Level of grant £5K
50	£250,000
100	£500,000
200	£1,000,000
250	£1,250,000

Note: This table is for illustration purposes and we may get significantly more claims than what has been identified above.

2.3.9 Questions:

- Do you agree with the definition to be used for prioritising B&B's as set out in 2.3.1?
- Should the grant be based on one fixed amount of £5k or tiered as set out in 2.3.4?
- Do you agree that by using the definition as set out under 2.3.1 this would exclude self- catering accommodation from being prioritised?

2.4 Priority area 4 - Charities – That would have been eligible for Small Business Rate Relief (SBRR) had it not been for getting mandatory charity relief

2.4.1 As this sector will be on the rating list we are able to draw on this information in order to determine the best approach in determining the level of grant.

2.4.2 This means to qualify for SBRR the RV must be 15,000 or less and in the main you only have one rating assessment.

2.4.3 There are 118 registered charities that have a rateable value of 15,000 and below (threshold for SBRR) that are not eligible under the grant scheme because of getting mandatory rate relief. However many of these charities have more than one rating assessment which would mean that they wouldn't be eligible for SBRR.

2.4.4 If we only prioritise those charities that would strictly meet the SBRR criteria then this would limit this to 50. A breakdown of these is shown in the table below:

Description of rated premises	Types of charities	Number
Storage / Workshops – used for sporting/leisure	Sporting organisations (angling, rowing, gig, athletic clubs), theatre groups, Band, etc	17
Offices	Used by various local organisations to support disabled & vulnerable, etc.	10

Schools & school playing fields	Mainly rural primary schools, secondary school playing fields (separately rated from school), etc	7
Nursery's & playgroups	Day nursery, pre-school charities.	11
Other – kennels, animal rescue centre, etc	Animal Welfare Centre, Animal dispensary, etc	5
Total		50

Note: Within the above there are 7 schools which are all publicly funded.

2.4.5 If we were to exclude those charities that are predominately publicly funded, i.e, schools this would mean that we would only be prioritising within this discretionary scheme 43 charities. As nearly half of these are used for storage of equipment then there is an argument to apply a lower level of grant.

2.4.6 The rating assessments of these are broken down as follows:

Rated description	RV up to 2,500	RV 2,501 - £5K	RV 5001-10,000	RV £10K-15K
Storage/workshops	14	2	1	0
Offices	7	2	0	1
Nursery/playgroups	0	2	9	0
Other	3	0	2	0
Total	24	6	12	1

2.4.7 The above table highlights that the majority of these charities are in premises with relatively small rateable values and therefore would have lower property costs.

2.4.8 Set out in the table below are what the potential cost could be by applying three levels of grant payments that are linked to the rateable values:

Rateable Value	Level of grant payment	Rating assessments	Total cost
Up to £2,500	£1,000	24	£24,000
£2,500 to £5,000	£2,500	6	£15,000
£5,001 to £15,000	£5,000	13	£65,000
Total		43	£104,000

2.4.9 By only prioritising those charities that fall within the strict definition would mean that there are many other charitable organisations that are being excluded from the government's priorities because they occupy multiple sites or above the RV threshold.

2.4.10 Questions:

- Do you agree with only prioritising those charities that would meet the definition of SBRR/Rural Rate Relief in line with BEIS guidance?
- Do you agree with excluding premises that are predominately funded by government, i.e. schools?
- Do you agree with using a tiered grant payment that reflects the rateable values as set out in table 2.4.7?

3.0 Overall

- 3.1 The modelling aims to provide an illustration on an approach for determining levels of grant payments that could be applied to the four national priorities together with the overall costs. It is difficult to predict numbers of claims in particular from shared space and from B&B's due to lack of data therefore numbers could exceed potential claims. This means there is a risk that even by limiting levels of grants below £10K that we could exceed funding.
- 3.2 The Devon approach is based on having one grant per business rather than on each rating assessment (as per grant scheme 1 & 2)