

Report to Audit committee
09 March 2021
Report of Interim Director of Resources (Section 151 Officer)
Subject Business Grants payments

Item

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Purpose

This report sets out the process, controls, administration, payment and reporting of business support grants; and, the results of the recent internal audit on the Retail Hospitality and Leisure Grant (RHLG), Small Business Grant (SBG) and the Discretionary Business Grants (DBG).

Recommendation

To note the report.

Corporate and service priorities

The report helps to meet the corporate priority - Inclusive economy

Financial implications

The report provides an overview of the business grants that the council is administering. The council reports regularly to central government on the grants approved against each scheme.

Ward/s: All Wards

Cabinet member: Councillor Kendrick - Resources

Contact officers

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Background documents

None

Report

1. Background

- 1.1 In March 2020, the government announced funding for businesses that had been either forced to close in the national lockdown or had been adversely affected by the closures.
- 1.2 There were two main grant schemes, the first was aimed at businesses in the retail, hospitality and leisure sector (RHLG) and the second was for those entitled to small business rates relief (SBG).
- 1.3 A third scheme was made available to help those businesses that did not qualify under the earlier schemes but had ongoing fixed property costs and were unable to continue trading (LADG).
- 1.4 The above three schemes, further referred to as Tranche 1, were formally closed by the government on 30 September 2020.
- 1.5 Further local restriction grant schemes were launched from 5 November 2020 for regional (tiered) lockdowns as follows:
- Local Restrictions Support Grant (open)
 - Local Restrictions Support Grant (closed)
 - Local Restrictions Support Grant (sector)
 - Additional Restrictions Grant (Discretionary)
 - Closed Business Lockdown Payment (one off payment)
 - Christmas Support Payment for wet-led pubs (one off payment)
- 1.6 The period each scheme is related to is shown below:

5 Nov - 1 Dec National lock-down	2 Dec – 25 Dec Tier 2	26 Dec – 4 Jan Tier 4	5 Jan – onwards National lock-down
Addendum 5 Nov	LRSG (closed)	Addendum Tier 4	CBLP
ARG	LRSG (open)	CSP	Addendum 5 Jan
	LRSG Sector	ARG	ARG
	CSP		
	ARG		

Key

Local Restrictions Support Grant (open)
Local Restrictions Support Grant (closed)
Local Restrictions Support Grant (sector)
LRSG (closed) Addendum 5 Nov
LRSG (closed) Addendum tier 4
LRSG (closed) Addendum 5 Jan
Additional Restrictions Grant (Discretionary)
Closed Business Lockdown Payment (one off payment)
Christmas Support Payment (for wet-led pubs)

All of the above grants – further referred to as Tranche 2 - are still available.

2. Process

- 2.1 Initially for the first tranche of grants the government required local authorities to adopt a pay now and ask questions later approach to enable funding to be paid to businesses rapidly.
- 2.2 After an initial payment run to verified businesses using business rates data, we adopted an application-based process as there were concerns about the potential for fraud to be committed. Each application received would be individually assessed by an officer.
- 2.3 A payment process was created between revenues, finance and IT to enable additional internal checks to be made and for payments to be formally approved. All payments were made using BACS once we had received evidence of the bank account belonging to the qualifying businesses.
- 2.4 Since the latest grants started in November, more in-depth prepayment checks are being done using external tools to check and identify any potential fraudulent applications and to identify the applying business meets the requirements of the scheme.
- 2.5 During the latest national lockdown payments have been made automatically to businesses that have already been fully validated and checked.

3. Controls

- 3.1 A full list of eligible businesses for SBG and RHLG was established at the outset of tranche 1 based on business rates data. Every business identified was checked remotely or via visits to the trading property to establish the business was still trading, and therefore entitled to receive a grant. Once payments were approved, these were cross referenced with the control lists to prevent duplicate payments or payments to ineligible businesses.
- 3.2 We introduced a triage procedure to ensure all documentation was received and each application was vetted against business rates records, companies house data where this was available and validation of bank accounts against internal records where possible.
- 3.3 A separate validation check was done each day by a team leader who authorised the payments. The file was passed to a further team leader for further checks e.g. to check for duplicate payments and passed to finance for further checks and, ultimately, payment.
- 3.4 All payment files were reconciled with finance post payment.
- 3.5 Risk assessments were completed and have been subsequently updated as new information has become available and appropriate mitigating actions have taken place.

- 3.6 The same controls have been used for tranche 2 payments, but we have also used experience and knowledge gained in tranche 1 to improve our controls e.g. payments in tranche 2 have also been checked against Spotlight which is a government system to enable checks on limited companies.
- 3.7 Fraud alerts are received from the government and various agencies based on other local authorities' these cases are cross referenced across our data. We also make reports on any suspected fraud cases to BEIS, NAFN, NATIS and NFI.

4. Audit

- 4.1 An audit of the payment of the payment of the above grants was completed in December 2020.
- 4.2 The scope of the audit included:
- A review of the risk assessments of the three schemes, clarification of the pre-payment checks and progress with implementing any post payment actions.
 - A sample of payments made to check against eligibility criteria
 - Reporting of fraud identified and recovery of overpayments.
- 4.3 The audit tested a sample of payments made under each of the schemes for compliance with government guidance.
- 4.4 The findings are summarised below:
- (a) Considerable work had been undertaken to identify eligible businesses and that the business was active on the qualifying date of 11 March 2020 before payment was made;
 - (b) Pre-payment checks had been completed for approx. 22% of the RHLG/SBG cases and 100% of the LADG applications which had been assessed by experienced staff against the policy;
 - (c) The team had paid out 95% of the total payments for SBG and RHLG by 31 May 2020 and all payments for the three schemes had been made by the deadline of 30 September 2020. Due to the urgency to make payments some early payments were made without an application form, although an application form was required going forward;
 - (d) A state aid declaration was included with the application form. Where an application was not made a retrospective state aid declaration should be obtained with the request the payment is returned if the business is unable to sign the declaration;

- (e) Fraud risk assessments have been completed and are reasonable with only a few giving a “red/amber” result. At the time of the audit there were no specific post payment assurance plans. Monthly post-payment assurance returns had been completed and submitted to Government buy the deadline, however these need to be reviewed on the next return;
- (f) Each payment run has been reconciled and periodic cumulative reconciliations but a final cumulative reconciliation is outstanding. Five over payments need to be recovered which is progressing;
- (g) There had been limited use made of Spotlight which is a Government grants management and counter fraud function, for limited companies only, which may highlight areas of possible risk;
- (h) Payments have been checked against NAFN fraud alerts and no matches were found other than four previously identified and returned by the bank, however these had not been reported as required in guidance. Further checks have revealed a further four potential fraudulent applications and more evidence is being sought;
- (i) Eligibility was determined and payments were made directly into bank accounts as evidenced from the application. Testing identified a few anomalies.

4.5 In order to address the findings the following actions have been agreed:

- (a) State Aid declarations are to be obtained where no application is held. – good progress is being made;
- (b) To formalise a post payment assurance action plan – completed;
- (c) Review risk scores on government returns – completed;
- (d) A full reconciliation of the payments made under the three grant schemes. This work has been completed for the LADG scheme and is scheduled for the SBG and RHLG;
- (e) Complete spotlight checks for all limited companies – complete;
- (f) Complete checks on four potential fraudulent cases and if found to be fraudulent, recover payment and report accordingly - completed and no fraud was found;
- (g) Fraudulent applications need to be reported to government and internal audit manager – complete and is embedded in tranche 2 process;
- (h) Two cases of ineligible payment need to be reviewed and refunds obtained - the cases were reviewed, and the payment had been made correctly.

4.6 Full payment data for all Tranche 1 payments has been submitted to NFI but no data has been released back yet.