

## **Title of report: Additional Restrictions Grant - business recovery programme**

**Decision maker: Cabinet member environment, economy and skills**

**Decision date: Tuesday 4 May 2021**

**Report by: Economic development manager**

### **Classification**

Open

### **Decision type**

Key

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant.

This is a key decision because it is likely to be significant having regard to: the strategic nature of the decision; and / or whether the outcome will have an impact, for better or worse, on the amenity of the community or quality of service provided by the authority to a significant number of people living or working in the locality (two or more wards) affected.

Notice has been served in accordance with Part 3, Section 10 (General Exception) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) Regulations 2012.

### **Wards affected**

(All Wards);

### **Purpose**

To urgently seek approval to accept and spend the Additional Restrictions Grant (ARG) funding (£1.7m) January 2021 allocation from government, and, if funding conditions are met, to accept and spend the additional £1.791m ARG top up Restart Grant allocation to support businesses and charities affected by the continuing lockdown restrictions and their ongoing recovery. The principle funding condition to trigger the additional £1.791m allocation is the achievement of full spend of the existing £1.7m ARG allocation from January 2021.

## **Recommendation(s)**

**That:**

- a) The cabinet member for Environment, Economy and Skills approves the expenditure (£1,712,661) of government funding provided in January 2021 for the Covid 19 Herefordshire Additional Restrictions Grant Fund;**
- b) The cabinet member for Environment, Economy and Skills approves the expenditure (£1,791,685) of government top up funding allocation for the Covid 19 Herefordshire Additional Restrictions Grant Fund;**
- c) The cabinet member for Environment, Economy and Skills approves the approach to delivering the Additional Restrictions Grant scheme;**
- d) To delegate to the Director for Economy and Place following consultation with the Cabinet Member for Environment, Economy and Skills and the Section 151 Officer the authority to vary the grant support for businesses in accordance with the national government guidance to be able to urgently respond to fast changing Covid 19 circumstances;and**
- e) The Head of Economic Development and the Economic Development Manager be authorised to approve grant awards to businesses following satisfactory appraisal of the applications received (up to a value of £50,000 per business).**

## **Alternative options**

- 1. Do nothing - to not deliver Additional Restrictions Grant Restart support and not spend the £1,712,661 of already received funding. Herefordshire businesses have been severely affected by Covid 19 and the impacts of the related lockdown periods. If we don't approve the expenditure of the available funds, then local businesses would be unable to benefit from the national government support which may lead to business closures. Not spending the existing £1,712m of Additional Restrictions Grant funds by 30 June 2021 would result in the council being ineligible for the further £1,791m of top up Additional Restrictions Grant funds.

## **Key considerations**

- 2. In response to the national lockdowns in November 2020 and from 5 January 2021, the government announced an economic support package that included financial support to businesses in the form of business grants to be administered by local authorities.
- 3. Under the Additional Restrictions Grant (ARG) the council received a lump sum payment of £3.85m in November 2020 and an additional lump sum payment of £1.71m in January 2021, giving a total budget of £5.56m to be used across financial years 2020/21 and 2021/22.
- 4. The council has approved the use of the £3.85m funding received in November to launch the November 2020 and January 2021 rounds of direct grant support schemes to businesses in the form of:

- Discretionary Grant Scheme (DG) – for those businesses mandated to close
  - Exceptional Circumstances Fund (ECF) – a top up payment for those businesses incurring losses above 50% of turnover (including those mandated to close).
5. As of 15 April 2021 £3.85m has been awarded to 695 businesses through the above schemes, committing the entirety of the approved ARG expenditure.
  6. The council has announced that the existing DG and ECF grants will be closed to applications on the 23 April 2021. There are a number of outstanding applications that are in the process of being assessed and it is expected that there will be new applications received before the 23 April.
  7. As the approval to spend the £3.85m November 2020 ARG allocation has now been fully committed, any subsequent approvals for the DG and ECF schemes will be funded from the £1.71m January 2021 ARG allocation following this decision.

### **Restart Grants**

8. On 3 March 2021, Government announced the introduction of grant support for non-essential retail, hospitality, accommodation, leisure, personal care and gym businesses in England.
9. This support was received in the form of a one-off grant funding scheme in Financial Year 2021-2022. The scheme is called the Restart Grant (RG) and is administered by Local Authorities in England.
10. Local Authorities will also receive a proportion of a £425 million top-up to the Additional Restrictions Grant (ARG), this is subject to them spending their existing allocations of ARG by 30 June 2021. The provisional ARG allocation for Herefordshire is £1.791m. Funding will be made available, subject to spend of existing allocations, from 1 April 2021 and must be spent by 31 March 2022.
11. The government guidance on the ARG scheme states that Local Authorities can use ARG funding for business support activities. This may primarily take the form of discretionary grants, but Local Authorities could also use this funding for wider business support activities.

### **Proposed Approach to the ARG Restart Grant**

12. Given the urgent need to support businesses affected by the national restrictions, it is recommended that the council develops an ARG Restart Grant scheme as quickly as possible to support businesses that will not be eligible for the Restart Grant for rate paying businesses.
13. Following the close down all existing schemes by 23 April 2021 the council will then operate a package of grant support using the remaining existing ARG funds and, when triggered, ARG Restart Grant funds to assist eligible non-rate-paying businesses with their ongoing recovery from the national lockdowns, and aid in their transition from being closed to reopening for trading.

14. It is proposed to open an Discretionary Restart Grant for those businesses mandated to close or suffered over 75% loss of income due to being in the supply chain for those mandated to close. Grant funding under this scheme would be aligned to the levels of support available under the Restart Grant for rate-paying businesses.
15. A new Restart Exceptional Circumstances Grant (Restart ECG) would also be introduced to support businesses that had suffered a loss of trade over 50% but not been mandated to close. This approach is commensurate with previous rounds of ARG funding.
16. Grant awards for the Restart ECG would be based on the number of employees and the level of loss suffered by the business. Awards will either be 50% or 75% of that made to businesses mandated to close. This is considered appropriate as these businesses are likely to have continued trading to some level and are considered to have less restart costs compared to those mandated to close.
17. Successful applicants to the Discretionary Grant 3 and Exceptional Circumstances Grant 2 that meet the above criteria would automatically be eligible for either the Discretionary Restart Grant or Restart ECG funds depending on their trading circumstances and subject to confirmation that their circumstances have not changed. It is intended to use information already collected wherever possible to speed up the grant award process.
18. Businesses who have not made a previous application to the COVID19 business support would be able to apply for either scheme and would receive an award depending on their eligibility and circumstances. The eligibility criteria for new applicants broadly matches the existing criteria and includes:
  - a. Must be a micro business, small business or a registered charity;
  - b. Were trading on the 4 January 2021;
  - c. Must employ someone for at least 15 hours per week within/from Herefordshire (charities can include volunteer time) and this can include the business owner(s) or director(s);
  - d. Either has a business rating or can demonstrate that the business or charity trades most weeks of the year from/within Herefordshire.
19. The table below demonstrates the suggested level of award to the varying businesses based on employee numbers and scale of loss.

		Scale of Loss				
Employee Numbers	5+	£4,000	£6,000	£8,000		
	3 - 4.9	£3,000	£4,500	£6,000	Restart Grant	
	1.1 - 2.9	£2,000	£3,000	£4,000	Restart ECG	
	0.5 – 1	£1,334	£2,000	£2,667		
		50 - 74	75 - 99	100		

20. The Discretionary Restart Grant figures within the green coloured column are comparable with the commensurate figures from the LRSG Restart Grant awards. The Restart ECG figures in the blue columns are a proportion of the Discretionary Restart Grant figure to reflect either the 50% or 75% level of loss.
21. Based on the number of current approvals and the information held on them for employee numbers and level of incurred loss, it is calculated that the above scheme would cost in the region of between £1.8m and £2.2m depending on how many businesses apply, their employee numbers and scale of loss. These elements would commit the remaining existing ARG allocation and trigger the release of the further £1.791m of ARG Restart funding.
22. These schemes seek to make awards based on the scale of a business's loss and the size of business in terms of employee numbers, both of which is held already for current applicants enabling swifter payment of awards.
23. It is also necessary for the level of grant award to be commensurate with the levels of award made within the LRSG Restart Grant awards so not to disadvantage businesses who would be eligible for these payments.

### **Wider Business Support**

24. Administering the ARG grants has established that there are sectors of the economy that have been disproportionately impacted by the national lockdowns either as a result of being mandated to close or because of supply chain impacts.
25. Additionally the pandemic and subsequent lockdown and other restrictions has highlighted some of the longer term structural issues within the economy. The Restart funding is an opportunity to support businesses who are proactively looking to recover from the COVID restrictions and grow their business and employment. Additionally there is opportunity to support the ambitions within the County Plan 2020 – 2024 and focus recovery on supporting sustainable economic growth for example in:
  - Movement to a low carbon economy and reductions in carbon emissions;
  - More technologically aware online trading opportunities;
  - Increasing Social Value
26. The guidance for the Restart Grants ARG says it can be used to support wider business support activity providing support is made direct to businesses.
27. A package of wider support has been developed and is recommended to be delivered via two elements - one a specific scheme to support festivals and events and the other an open support scheme to assist businesses growth and new employment creation.

### **Festivals and Events Grant**

28. Support for existing public events and festivals that will take place within the 2021/22 financial year. Grants will be capped at £50,000, to fund improvements to the event

offer, the number of people able to attend, the event promotion, and the sustainability of the event. See Appendix 1 for eligible activity.

29. The level of grant payment will be determined by a range of factors including: the length of the event, the fit with the eligibility criteria listed below, and the contribution towards the County Plan and Social Value statement.
30. To be eligible for this support it is proposed to introduce the following eligibility criteria:
  - Applicants must be either a not for profit business or a registered charity based in Herefordshire.
  - Events must have the potential to attract tourists or visitors to Herefordshire.
  - Events must be held in Herefordshire and be open to all members of the public at all times.
  - Events must include third party Herefordshire based businesses acting in the capacity as stall holders, entertainment providers or vendors.
  - Events must publicise the support from Herefordshire Council at their event and in marketing materials.

### **Business Recovery Programme**

31. Support for existing businesses impacted by the Covid 19 restrictions to provide them with the support they consider best suited to bring their business back into growth. A range of eligible activity is available to enable them to refocus or diversify, improve their sustainability, make changes to their premises, and to boost local supply chains.
32. Businesses can make only one application but can bid for one, or more of these activities in a single application. Eligible businesses are able to bid for a maximum grant of up to £5,000 for one activity, £7,500 for two activities, and in exception circumstances £10,000 for three activities. See Appendix 1 for eligible activity. The level of grant payment will be determined by a range of factors including: the fit with the eligibility criteria listed below, and the contribution towards the County Plan and Social Value statement.
33. To be eligible for this support it is proposed to introduce the following eligibility criteria:
  - Applicants must be an existing Herefordshire based self employed, Micro, SME or registered charity.
  - Applicants must provide a reasonable self declaration of how they have been negatively impacted by the Covid19 restrictions..
  - Activity must be able to commence and spend within financial year 2021/22.
  - Any training or advice received must be supplied by an accredited trainer with accreditation from a recognised industry body.

34. For both schemes applicants must be able to demonstrate what benefit to the business will be achieved if they receive the funding.
35. In addition applicants must demonstrate in their application how they will help the delivery of the County Plan 2020 - 2024, and specifically how the project will contribute towards the success measures outlined within the Environment and Economy ambitions.
36. Businesses must also demonstrate how the grant will enable them to deliver social value within their business practises and should use the council's Social Value Statement for further information as to what is considered to be Social Value and examples of how it can be incorporated within a project or service.

### **Application Process**

37. For both schemes, officers will devise an open application process which requires the business / charity to provide the information necessary to make a decision on their application. Officers will assess the application for eligibility, assess the level of appropriate award for events, and make a recommendation to either, award the grant, award with conditions, or reject.
38. In line with good practice separating the assessment from the approval a separate panel of officers experienced in the delivery of grant programmes, including representation from the council's finance team, will review the applications and either approve or reject the recommendations of the appraisal officer.
39. These elements of the funding programme will be delivered via a series of open "call rounds" to give businesses a fair and equal opportunity to apply for the available funding. Businesses can apply within a call round and received applications will be considered and awards made within that call round. Call rounds will be extensively advertised using the range of publicity and communication methods that have served well to advertise previous ARG support. The "call round" approach was used to award the initial ARG funding and minimises the risk that the available budget is exceeded.
40. There will be no split of funds between the Festival and Events Grant and the Business Recovery Programme.

### **Community impact**

41. Covid 19 has had an unprecedented impact on the Herefordshire population and the local economy. Herefordshire is seen to be particularly at risk from an economic perspective due to a high-reliance on businesses and jobs most at risk from restrictions: roughly 9,500 jobs in around 1,100 enterprises in vulnerable sectors (hospitality, food, arts, entertainment, travel).
42. In January 2021 there were 4,470 people aged 16+ claiming unemployment related benefits, this is more than double the number in March 2020 (+112%) but a reduction from the September 2020 claimant count of 5,000, an increase of 137% from March 2020.

43. As at 31 December 2020, the take up rate for the furlough scheme in Herefordshire (11%) remained similar to nationally and regionally (13% and 12%). At that point, furloughing of staff across all sectors had, in line with the national trend, increased from the previous month but was still well below the 30% seen in June 2020.
44. Provisional figures as at 31 January 2021 suggest the furlough take-up rate had risen to 14% in Herefordshire: again, similar to regionally (14%) and nationally (15%)
45. The ARG Restart and restart ECG schemes will provide assistance to businesses who have been instructed to close but do not have a rateable value or who have lost a significant level of trade due to the second lockdown, securing employment in the county. Additionally the wider business support will provide assistance to those businesses looking to grow their business and employee numbers.

## **Environmental Impact**

46. The ARG Restart and Restart ECG schemes will provide grant support to business either instructed to close or who have lost significant income due to the second national Covid 19 lockdown. The grants are to aid business viability in meeting on-going operational business costs during a period of zero or much reduced income. As such the grants will have limited direct benefit in terms of environmental impacts, such as carbon emissions reduction.
47. However, the wider business support programme will require applicants to demonstrate how they will help the delivery of the County Plan 2020 - 2024, and specifically how the project will contribute towards the success measures outlined within the Environment and Economy ambitions, particularly:
  - Increase flood resilience and reduce levels of phosphate pollution in the county's river
  - Reduce the council's carbon emissions
  - Work in partnership with others to reduce county carbon emissions
  - Improve the air quality within Herefordshire
  - Improve residents' access to green space in Herefordshire
  - Improve energy efficiency of homes and build standards for new housing
  - Increase the number of short distance trips being done by sustainable modes of travel – walking, cycling, public transport
48. The implementation of the various schemes will wherever possible seek to minimise any adverse environmental impact. For example the application form will be on-line.



## **Equality duty**

49. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:
- A public authority must, in the exercise of its functions, have due regard to the need to:
- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
50. The ARG Restart and Restart ECG schemes, and the grants delivered via the wider business support programme will be open to any eligible business as defined in the government guidance and local eligibility criteria. Operating the wider business support programme through a series of "call windows" will ensure all eligible businesses have an equitable and fair chance to apply.

## **Resource implications**

51. On 6 November 2020 the Department for Business, Energy and Industrial Strategy wrote to the council (Appendix 2) to confirm the ARG award. The conditions of the grant set out in that correspondence were as follows;
- The Council must:
- a. Ensure recipients meet the criteria set out in the Additional Restrictions Grants: guidance for Local Authorities.
  - b. Record and retain records of individual payments of Grant. This information should be stored in accordance with the data protection requirements and shared with Government upon request. You agree to comply with your obligations under applicable data protection legislation in respect of this information and to the extent that for the purposes of the Grant any personal data is shared each party accepts that they will each comply with their respective obligations in respect of the processing of such data.
  - c. Provide timely monitoring information in line with the guidance provided by the Department.
  - d. Provide summaries of any issues encountered in implementing the scheme to allow BEIS to support development of solutions with local authorities.
  - e. Allocate all monies by 31 March 2022.

52. The council has received no further correspondence from government that changes the conditions of grant. Government has updated the guidance for Local Authorities to take account of the new “top up” allocation of ARG funds. Officers from the Economic Development team will work with Finance team colleagues to set up the necessary financial and fraud checks and assurances.
53. On 1 April 2021 the Department for Business, Energy and Industrial Strategy wrote to the council (Appendix 3) to confirm an indicative ARG top up allocation of £1,791,685 to be spent by the end of March 2022.

<b>Revenue cost of project</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>Future Years</b>	<b>Total</b>
	£000	£000	£000	£000	£000
<i>Remaining ARG Grant allocation from government from January 2021</i>			1,712		1,712
<i>ARG Grant allocation from government if remaining ARG Grant from January is spent by 30 June 2021.</i>			1,791		1,791
<b>TOTAL</b>			<b>£3,503</b>		<b>£3,503</b>

<b>Funding streams (indicate whether base budget / external / grant / capital borrowing)</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>Future Years</b>	<b>Total</b>
	£000	£000	£000	£000	£000
<i>Remaining ARG Grant allocation from government from January 2021</i>			1,712		1,712
<i>ARG Grant allocation from government if remaining ARG Grant from January is spent by 30 June 2021.</i>			1,791		1,791
<b>TOTAL</b>			<b>£3,503</b>		<b>£3,503</b>

54. The grant schemes will be administered by Herefordshire Council officers.

## **Legal implications**

55. The cost of the ARG scheme will met using a grant from the Department of Business Energy and Industrial Strategy under 31 of the Local Government Act 2003 the details of which are set out in a letter dated 6 November 2020.
56. The council has the power to deliver the ARG scheme under Section 1 of the Localism Act 2011.

57. The council is to use its discretion to ensure that grants are provided to meet local circumstances. The council has decided that for the Restart schemes a range of grant awards will be provided depending on the scale of loss and number of employees within the business. The maximum Restart grant that the council will award is £8,000 and the minimum is £1,334 as this is judged to allow the council to maximise the ARG scheme allocation whilst keeping alignment with the LRSG Restart support. The maximum award under the wider business support programme is £50,000.
58. In exercising their discretion the council is required to clearly set out the criteria that will be applied to grant applications. It is recommended that these are published on the council's website.
59. In assessing applications for grants under the ARG scheme the council will need to ensure that any information contained in the grant application form is correct, accurate, and that applicants meet the stated criteria. Copies of all grant applications and assessment of applications will be kept by the council for audit persons.

## Risk management

60.

Risk / opportunity	Mitigation
More people apply for the grant scheme than available budget (£3.503m)	The Restart elements of the scheme, like previous elements of the ARG support, will make awards based on a calculation of jobs and loss of income. These schemes will not account for the full amount of the remaining budget. The wider business support programme will be allocated to successful applicants via a series of open call rounds which will continue until the funding is allocated.
There is a reputational risk to the council in defining which businesses are eligible to apply.	In the first instance the ARG Restart and Restart ECG schemes will be open to those small and micro businesses directly instructed to close during the second lockdown, and those that have lost significant trade. The wider business support programme will be open to any business that can demonstrate loss of significant trade. As such the scheme is also open to those that have been impacted by the restrictions but are not eligible for the Restart Grants.
There may be a very high volume of applications, which will have an impact on resourcing.	Communications regarding the scheme will make it clear who is eligible to apply. Existing recipients of the ARG support will be contacted by officers to confirm their details are correct and circumstances haven't changed. Payments will be made direct to these businesses without an additional application process. This will significantly reduce the administration burden for the

	ARG Restart and Restart ECG schemes. The wider business support programme will require an application process which will be proportionate for the level of grant funding and will utilise existing information held on the business wherever possible.
The council may receive a high level of complaints from businesses excluded from being eligible or the basis of the calculation of their grant.	The scheme communications and guidance clearly explain the rationale for which sectors are eligible (in line with the government guidance) and how the calculation will be made in advance of launching the scheme. It is the responsibility of the applicant business to provide the evidence required to support their application.
The council may receive fraudulent applications	Existing recipients of ARG funds who choose to apply for this support will have previously been assessed for eligibility and accuracy of information. They will have previously have been subject to a number of security and fraud checks. New applicants will be required to go through the council's application process which includes checks to determine fraudulent activity.

## Consultees

61. Two responses were received back from the Member consultation. Cllr Stark stated that "This is welcomed" in reference to the support. Cllr Shaw stated that he was "Very much in agreement." with the report and he further mentioned that he was aware of businesses which "have received some small discretionary payments but it would help to provide further funding".

## Appendices

Appendix 1 – List of eligible activity for wider business support programme.

Appendix 2 – BEIS funding letter.

Appendix 3 – Indicative ARG top up funding allocations

## Background papers

None identified