

Additional Restrictions Grant - local scheme proposal

Cabinet Member for Major Projects and Economic Development, Cllr Elizabeth Little

Date: 1st December 2020
Agenda Item: 7 (urgent item)
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Key Decision? YES
Local Ward Members All

Lichfield
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Cabinet

In Accordance with Procedure Rule 25(c) of Part 4 of the Constitution the Leader of the Council has authorised this item to be considered as a matter of urgency due to the need to launch a business support scheme promptly to assist the local business community that has been impacted by the pandemic and associated restrictions.

1. Executive Summary

- 1.1 Following on from a national lockdown having been announced, commencing on Thursday 5th November for a four week period and a three tier system having been established within England on local Covid alert levels, the government has provided additional financial support (Local Restrictions Support Grant and the Additional Restrictions Grant) for local authorities to distribute to eligible businesses.
- 1.2 In terms of the Additional Restrictions Grant (ARG), local authorities have been provided with a one-off lump sum payment amounting to £20 per head of population, with Lichfield District's allocation being £2,095,120.
- 1.3 The ARG is a scheme allowing local authorities the discretion to how the monies are used to support local businesses and the local economy.
- 1.4 The report proposes a means by which it is considered the monies allocated to Lichfield could best be used to achieve the above objectives.

2. Recommendations

- 2.1 That the Cabinet notes the Government's Additional Restrictions Grant Policy and allocation of monies.
- 2.2 That the Cabinet approves the proposed approach for delivering the Additional Restrictions Grant scheme
- 2.3 That the Cabinet delegates authority to the Cabinet Member for Major Projects and Economic Development in consultation with the Head of Economic Growth and Development to make minor amendments to the Additional Restrictions Grant criteria where appropriate. The Cabinet Member shall keep Cabinet abreast of delivery and if major changes are required to report back to Cabinet.

3. Background

- 3.1 The Additional Restrictions Grant (ARG) funding is available to support local economies and businesses that have been adversely impacted by national and Local Covid Alert Level Very High, and operates alongside the Local Restrictions Support Grant. The grant is ring fenced for business support only, taking the form of a discretionary grant payable to individual qualifying businesses but can also be used for wider business support activities. Local authorities are able to determine how much funding to

provide to businesses from the scheme and exactly which businesses to target, using local knowledge and existing data and records to assess which businesses they wish to support.

3.2 The scheme has certain criteria laid down by government:

- A business must have been trading the day before (4th November) restrictions came into force to receive grants under the scheme.
- Local authorities should use the funds to support businesses (active businesses) affected by the pandemic.
- Local authorities can use the scheme to support businesses outside of the business rating system.
- Local authorities have the freedom to use funds from the Additional Restrictions Grant to provide top-up grants to businesses that are in receipt of grants under other schemes.
- Companies must have been significantly financially impacted by local and national restrictions & the pandemic.
- Companies must not be in administration, insolvent or where a striking-off notice has been served.
- Grant income received through the scheme by a business is taxable.
- Grant payments given to individual businesses will be subject to state aid limits.

3.3 Furthermore, local authorities are encouraged to develop discretionary grant schemes to help those businesses which, while not legally forced to close, are severely impacted by the restrictions put in place.

Examples of business types to target are:

- Businesses which supply the retail, hospitality and leisure sectors.
- Businesses in the events sector.
- Businesses outside the business rates system, which are effectively forced to close, such as market traders.
- Local authorities can also provide additional support to larger local businesses which are important to the local economy, on top of the funding provided to those businesses via the Local Restrictions Support Grant (Closed) scheme.

The funding can be used across the financial years, 2020/21 and 2021/22, with a review in January 2021. All monies must be allocated by 31 March 2022 and all state aid requirements must be fully met and complied with when making grant payments.

Local Additional Restrictions Grant Scheme proposal

3.4 To provide a more informed, evidence-based approach towards a possible Additional Restrictions Grant scheme for the district, key information about local employment sectors has been reviewed, and considered alongside national 'most at risk' sectors of the economy. Additional business support measures have also been reviewed, seeking where the most meaningful contribution could be made to utilise the grant to benefit the local business population. The evidence base in support of the proposed scheme can be found within **Appendix 1**.

It is proposed that the Lichfield District Additional Restrictions Grant will comprise three strands, be delivered within three phases and allocated accordingly:

- Direct grant funding to qualifying businesses. (Allocated amount: £1,695,120)
- Skills and training support. (Allocated amount: £250,000)
- Support for start-up businesses. (Allocated amount: £150,000)

The allocated amounts may change dependent on the demand/take-up for each strand. If one strand was to underperform whilst another was to be oversubscribed, these allocated amounts will be reviewed. If changes to the national guidance/criteria were to be made following the Additional Restrictions Grant review by government (planned for January 2021), such would be reflected in an amendment to our scheme.

The policy for the direct grant funding, outlining eligibility criteria and evidence required, is within **Appendix 2**.

Next steps

- 3.5 Subject to formal approval, the following actions shall take place to commence the three strands of the Lichfield District Additional Restrictions Grant scheme.

Direct grant funding

An online application form will go live on the Lichfield District Council website on Wednesday 2nd December 2020, alongside the policy criteria for eligible businesses to apply for the direct grant funding. Publicity material shall be established which will be promoted through the council's communication platforms and direct to businesses who have enquired about the scheme.

Skills and training support

The economic development service will continue consulting with the Staffordshire Skills Hub and other training providers who deliver locally on developing intelligence to understand where an additional skills and training support measure could assist the local business population. The feedback received shall help establish the programme, with a tender being created and external services procured to deliver the programme.

Lichfield District Start Up Grant Scheme

The economic development service will create an application form and guidance notes for the start up grant scheme to provide a smooth transition from the current grant scheme. Publicity material shall be established which will be promoted through the council's communication platforms.

Resource Implications

- 3.6 With the delivery of additional business support measures there are financial and operational resource pressures on the service. As the economic development service currently operate a start-up and young business grant scheme which finishes in March 2021, the new start up scheme operationally shall transition from the previous scheme. As the direct grant funding & skills and training support are new business support measures they shall create greater pressures on the service.

The skills and training support could create resource implications on the economic development service if delivered in house. The option for an external party to deliver shall relieve resource implications internally on the service, whilst input will be provided on its operation and targets by council officers.

The direct grant funding is operated by the economic development service answering queries from interested businesses whilst processing evidence and providing grant payments with the finance service. As previously recognised within the initial round of coronavirus financial support, the administering of these grants creates additional time pressure and does impact upon other work streams for the service. Additional officer resource is needed through secondment from an internal service which is currently being explored or an external candidate within a fixed term role. Additional service funding/budget will be needed within the additional resource options outlined to deliver this support scheme. The additional cost could be put against the Covid burden fund with the additional resource being needed until the end of March 2021.

Alternative Options

1. The Economic Development service has considered various potential schemes having regard to the evidence base and in consultation with the

	<p>Cabinet Member for Major Projects and Economic Development. The Cabinet could decide not to accept the proposal and target allocations on different business types or sectors, not support start-ups and not support skills training. It is considered that the scheme as proposed appropriately identified those businesses that are important to the district and need support and provides a basis for supporting people as well as business.</p>
<p>Consultation</p>	<ol style="list-style-type: none"> 1. With the Cabinet Member for Major Projects and Economic Development. 2. Leadership Team's views have been taken into account. 3. The Greater Birmingham Chamber of Commerce has provided feedback on the draft proposal and comments taken into account.
<p>Financial Implications</p>	<ol style="list-style-type: none"> 1. A lump sum grant of £2,095,120 is available to distribute to eligible businesses under the Additional Restrictions Grant. 2. The grant calculation is based on £20 per head of the local authority population (calculated using the ONS midyear population estimates published March 2020). 3. Additional officer resource will be needed to support the existing economic development service deliver the direct grant funding alongside current work streams. The service are reviewing whether this additional resource could be identified within the Council's current staff and be seconded or an external candidate within a fixed term role. 4. The existing economic development service budget is unable to cover the financial aspect of additional officer resource with budget needing to be sourced from reserves or against the Covid burden fund. The role will only be until the end of March 2021.
<p>Contribution to the Delivery of the Strategic Plan</p>	<ol style="list-style-type: none"> 1. The policy underpins our priority of developing prosperity encouraging economic growth and being a good council that is responsive and customer focussed. 2. The policy underpins the priority of enabling people by supporting upskilling and reskilling employees within businesses and residents seeking to start up a business.
<p>Equality, Diversity and Human Rights Implications</p>	<ol style="list-style-type: none"> 1. An Equality Impact Assessment has been carried out. 2. A set criteria of eligible business types and activities has been outlined but this has been assessed against businesses which have benefited within previous coronavirus financial support, the local business population and sector base & the national guidance suggested examples.
<p>Crime & Safety Issues</p>	<ol style="list-style-type: none"> 1. The grant payments and allocations of monies will be subject to various checks to ensure against fraud or other criminal activities.
<p>Environmental Impact</p>	<ol style="list-style-type: none"> 1. The scheme if agreed will assist local business, local residents and the local economy. It is not possible to say with certainty what the environmental impacts would be but the expectation is that maintaining and growing the local economy will help deliver a number of environmental benefits including potentially an increase in businesses and residents engaged in the green economy.
<p>GDPR/Privacy Impact Assessment</p>	<ol style="list-style-type: none"> 1. The need for a Privacy Impact Assessment has been checked and is not required in this case.

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	Businesses who may be eligible may not apply.	Many businesses who were not eligible for funding are already aware of this scheme but publicity will be undertaken.	Likelihood - Green Impact - Yellow
B	The funding may be exhausted and businesses may not have applied in time or submitted completed applications.	Publicity will be undertaken with clear instructions about how to claim.	Likelihood - Yellow Impact - Yellow
C	There may be an undersubscription of businesses applying.	To review the scheme making sure that amendments made from the initial scheme meet the guidance set out on the grant distribution and make a meaningful contribution to the local business community and economy.	Likelihood - Yellow Impact - Yellow

Background documents

Department for Business, Energy & Industrial Strategy, Additional Restrictions Grant Guidance (published 12 November 2020) - <https://www.gov.uk/guidance/check-if-youre-eligible-for-the-coronavirus-additional-restrictions-grant>

Useful links

Small Business Grant Fund - <https://www.gov.uk/guidance/check-if-youre-eligible-for-the-coronavirus-small-business-grant-fund>

Retail, Hospitality and Leisure Grant Fund - <https://www.gov.uk/guidance/check-if-youre-eligible-for-the-coronavirus-retail-hospitality-and-leisure-grant-fund>

Local Authority Discretionary Grant Fund - <https://www.gov.uk/guidance/apply-for-the-coronavirus-local-authority-discretionary-grants-fund>

Lichfield District Small Business Grant Scheme - <https://www.lichfielddc.gov.uk/business-advice/lichfield-district-small-business-grant>

Appendices

Appendix 1 - Additional Restrictions Grant – developing a scheme (evidence base)

Direct grant funding

Local and regional key, growth and most at risk sectors

The data provided below outlines key local sectors based on the amount of enterprises, employees and highest employment growth locally within each broad industry group. The national 'most at risk' sectors are based on where the most businesses and jobs are or to be impacted from the pandemic such as supply chains with the figure showing the amount of enterprises within these sectors locally.

Key local sectors: based on the amount of enterprises within each broad industry group (ONS, 2019)

- Professional, Scientific and Technical Services: 820 enterprises
- Construction: 665 enterprises
- Hospitality and leisure (the arts, entertainment, recreation and other services & accommodation and food services sectors): 570 enterprises
- Business Admin and Support Services: 410 enterprises
- Manufacturing/Production: 330 enterprises
- Agriculture, forestry and fishing: 275 enterprises

Key local sectors: based on the amount of employees within each broad industry group (ONS, 2019)

- Wholesale and retail trade – 9,000 employees
- Human health and social work – 6,000 employees
- Manufacturing - 5,000 employees
- Admin and support – 5,000 employees
- Accommodation and food service – 4,000 employees

Key local sectors: The highest employment growth per sector between 2009 to 2016 (Business Data and Population Study, ONS BRES, 2018)

- Accommodation and food service activities (133.3%)
- Professional, scientific and technical activities (60%)
- Other service activities (60%)
- Transportation and storage (50%)
- Human health and social work activities (50%)

The national high risk sectors (where the most businesses and jobs are impacted and supply chains from the coronavirus pandemic) and the proportion of those sectors (ONS, 2019) within Lichfield District.

- Construction – 665 enterprises
- Manufacturing – 330 enterprises
- Arts, entertainment and recreation – 315 enterprises
- Accommodation and food service – 255 enterprises
- Wholesale and retail – 235 enterprises

On a local scale, these sectors in total make up 1,800 enterprises, 38% of the total amount in the district (ONS, 2019).

Hospitality and leisure sector

The evidence base shows that the hospitality and leisure sector an important component within the local economy, having a large and significant presence. It is an at risk sector locally and nationally and this has been recognised in the various grant regimes brought forward by government. This sector is seen to have large and complex supply chains and significant interdependencies.

Professional, scientific and technical services sector

The Professional, Scientific and Technical services sector is also significant within Lichfield District with a large enterprise base and high employment growth. Although the sector isn't classed as being 'at risk', the sector's direct supply chains maybe impacted as a consequence of reliance on restricted and closed sectors during the enforced local and national restrictions.

Agriculture sector

With Lichfield District's physical environment being a mixture of urban and rural, the rural economy is an important element of the district's overall economy. The sector is very much linked with supporting hospitality and leisure enterprises as well as the consumer food sector. The sector has been and is ineligible for several government support opportunities, including buildings continuing to operate but not classed as rateable and many employed staff not eligible for the furlough scheme due to the type of employment contracts.

Businesses outside of the business rate system

A consideration must also be made to businesses which trade from a premises outside of the business rates system or have a parent company, such as home based businesses or franchises. These businesses haven't benefited from previous grant support directed at rateable commercial properties due to being in a non-rateable premises or their parent company has received the grant and not provided the financial support to the operator.

Skills and training support

Within the guidance it states that central government envisage the Additional Restrictions Grant will primarily take the form of discretionary grants, whilst local authorities can use this funding for wider business support activities.

With local businesses needing to adapt their business models for the current environment to remain profitable and afloat, they need to upskill their staff to undertake new tasks and roles. A similar argument can also be made for those redundant residents needing to retrain and reskill within a new environment.

The Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) launched a Pivot and Prosper Grant Fund as part of their first phase of the Step Forward campaign. The scheme was set up to help businesses in key strategic, growth sectors by supporting businesses seeking to accelerate their recovery by embracing new businesses models, entering new markets or changing the way they work. Match funding of up to £40,000 was available for businesses with 10 to 100 employees based in the GBSLEP region. The Pivot and Prosper Grant fund was popular with 52 successful applicants throughout the LEP area with 2 Lichfield District businesses benefiting from the programme but it was very specific with its target sectors. The Southern Staffordshire are had an average of 2 successful applicants per local authority.

A training support fund will provide local businesses an opportunity to receive financial support towards their training needs by offering specific, tailored support from a dedicated training provider. The programme will be dedicated to providing an understanding of local skills and training needs, for local businesses and delivering specific support for employees.

Start-up support

Lichfield District Council's current Small Business Grant Scheme ends in March 2021. Once the scheme completes there will be a 'gap' in the grant support landscape for local start-up businesses. Whilst loans are available, from the Start Up Loan Company, they are to be repaid with interest applied.

The Economic Development Service have been reviewing different options for the next iteration of the scheme, which could focus on residents seeking to start up a business (rather than existing businesses who have recently began trading). The start-up scheme would provide £3,000 to each start up business/applicant for residents who have recently been made redundant and who are seeking to start up their own business.

The amount of £3,000 has been proposed as the scheme requires no match funding from the applicant and this is the maximum total project cost for the current scheme. Whilst a similar scheme is run by the Enterprise for Success Programme, which focuses on residents who have already began trading with their start up business (from one, up to three years trading) which has a higher total project cost of £5,000 for operating businesses and is match funded. There is no cross over between the schemes and they could work collaboratively by providing different options for residents who are seeking to start up a business or commenced an existing business and seeking financial support.

A similar existing scheme is the Staffordshire County Council Start-up Loan Scheme, which provides interest free loans, between £3,000 to £5,000, to new businesses within specific sectors with no payment arrangements for the first 12 months. The difference between the proposed Lichfield District Start-up Scheme and the Staffordshire County Council Start-up Loan Scheme is that the Lichfield District Scheme doesn't need repaying and is open to all sectors.

Additional Restrictions Grant
2 December 2020

Approved by:	Cabinet
Approval date:	
Author/owner:	Jonathan Percival
Review frequency:	
Next review date:	not applicable

1. Introduction

- 1.1 On 12 October, the Prime Minister announced a new three tiered system (medium, high or very high) on local Covid alert levels. The level which a region is labelled depends on the rate of local outbreaks of Covid cases within that area, creating a tightening of rules on social gatherings and measures which impact on businesses, inclusive of specific business closures. As part of this new regional, tiered system, additional business support was announced and is being administered by local authorities in the form of new strands (as England moved into a national lockdown) to an existing grant scheme (Local Restrictions Support Grant) and a new discretionary grant scheme (Additional Restrictions Grant).
- 1.2 The Additional Restrictions Grant is a one-off lump sum payment for local authorities amounting to £20 per head when tier 3 or widespread national restrictions are imposed. Lichfield District Council's allocation for the Additional Restrictions Grant to distribute is £2,095,120 (calculated using the ONS midyear population estimates published March 2020).
- 1.3 The grant is ring fenced for business support only, taking the form of a discretionary grant but can also be used for wider business support activities. Local authorities are able to determine how much funding to provide to businesses from the scheme and exactly which businesses to target, using their local knowledge and existing records to assess which businesses they wish to support.
- 1.4 Local authorities are encouraged to develop discretionary grant schemes to help those businesses which, while not legally forced to close, are severely impacted by the restrictions put in place.
- 1.5 The Additional Restrictions Support grant guidance is at: <https://www.gov.uk/guidance/check-if-youre-eligible-for-the-coronavirus-additional-restrictions-grant>
- 1.6 This guidance sets out some mandatory criteria and suggested business types to target, for local authorities to follow.

2. Purpose of policy

- 2.1 This policy sets out the criteria to provide financial assistance to eligible businesses that fall within the scope of the policy, in accordance with the guidance issued by BEIS and through analysis of previous and current coronavirus business support & local key and at risk sectors.

3. Scope of policy

- 3.1 The funding is available to support local economies and businesses that have been adversely impacted by national and Local Covid Alert Level Very High, alongside the Local Restrictions Support Grant.
- 3.2 National guidance further states that:
 - A business must have been trading the day before (4th November) restrictions came into force to receive grants under this scheme.
 - Local authorities should use the funds to support businesses (active businesses) affected by the pandemic.
 - Local authorities can use this scheme to support businesses outside of the business rating system.
 - Local authorities have the freedom to use funds from the Additional Restrictions Grant to provide top-up grants to businesses that are in receipt of grants under other schemes.
 - Companies must have been significantly financially impacted by local and national restrictions & the pandemic.
- 3.3 Local authorities are able to determine how much funding to provide to businesses from the scheme and exactly which businesses to target, using their local knowledge and existing information to assess which businesses they wish to support.

3.4 Following the evaluation and analysis of the guidance provided, the local authority shall divide its allocation of the Additional Restrictions Grant into three strands, to be delivered in three phases:

- Phase 1: Direct grant funding
- Phase 2: Skills and training support
- Phase 3: A start-up grant scheme

3.5 The business types and activities for the direct grant funding to be aimed at is based on a local sector evidence based analysis that has been undertaken.

3.6 The direct grant funding awarded shall be a one-off £7,500 grant per eligible business, aimed at micro and small businesses which are:

- Businesses involved in the direct supply chain for businesses/sectors which have had to close due to local or national restrictions, able to show trade with closed businesses (hospitality, leisure and events sector) is a significant proportion of their income.
- Businesses which are trading from a commercial premises which is a local franchise whereby the parent company has previously received coronavirus grant support.
- Businesses involved in the events sector or arts and entertainment sector.
- Businesses involved in the rural/agriculture sector.
- Home based businesses with the company being their only employment and only source of business income.

3.7 Micro and small businesses are defined by the following definitions:

To be a micro business, under the Companies House Act 2006, a business must satisfy two or more of the following requirements:

- Turnover: Not more than £632,000
- Balance sheet total: Not more than £316,000
- Number of employees: a headcount of staff of not more than 10

To be a small business, under the Companies House Act 2006, a business must satisfy two or more of the following requirements:

- Turnover: Not more than £10.2 million
- Balance sheet total: Not more than £5.1 million
- Number of employees: a headcount of staff of not more than 50

3.8 The following criteria must also be satisfied to be eligible for a grant:

- Businesses must have been trading the day before (4th November) restrictions came into force.
- Companies must not be in administration, insolvent or where a striking-off notice has been given.
- Companies must have been significantly financially impacted by local and national restrictions & the pandemic.
- Businesses that haven't received support from the Local Restrictions Support Grant.

3.9 In addition to the above, any other grant or reserves that a business has may be taken into account for the assessment of the grant award.

3.10 The council has the right to review the criteria without prior notice based on the scheme's performance. Businesses shall be made aware of any changes through publicity material.

4 How it relates to/underpins our strategic ambitions

4.1 The policy underpins our priority of developing prosperity encouraging economic growth and being a good council that is responsive and customer focussed.

5 Policy details

- 5.1 This scheme is designed to support businesses which, while not legally forced to close, are severely impacted by the restrictions put in place.
- 5.2 The government grant funding will be distributed based on eligible applications made prior to the closure of the scheme.
- 5.3 A significant fall in income is locally defined as a loss of income of more than 30%, compared to the same period last year.
- 5.4 The local authority will undertake proportionate pre-payment checks. In the first instance, businesses will be asked to supply details of their income from 1st September 2020 to 30th November 2020, compared with 1st September 2019 to 30th November 2019, showing an impact on their income.
- 5.5 Businesses must also evidence (qualitatively) how the local and national restrictions & the pandemic have impacted upon their income and business operation.
- 5.6 The grant will be a one off £7,500 grant per business and not per property.
- 5.7 The grant must go towards the business directly and not be used as a wage supplement.
- 5.8 An application form is required from the director or other authorised signatory for the business and should include evidence as requested.
- 5.9 Directors/owners of a business applying for the grant will need to declare any other business which they have significant control of and/or a majority shareholder within and whether those have had previous support.
- 5.10 Home based businesses to highlight if they receive any benefits (such as universal credit).
- 5.11 A business must also outline what other government support they have received (e.g. Small Business Grant, Extended Retail Grant, Self-Employment Income Support Scheme, Bounce Back Loan, Local Restrictions Support Grant etc.), which shall be considered within the decision.
- 5.12 Applicants that do not provide the evidence as requested with their application will not be eligible for payment.
- 5.13 The business must confirm that in accepting the grant payment they are in compliance with the state aid rules.
- 5.14 The application will be considered by delegated officers within the economic development team
- 5.15 Payments will be made by BACS into an account used by the business.
- 5.16 The grant will not need to be repaid. However the government will not accept deliberate manipulation and fraud and any business caught falsifying their records to gain grant money will face prosecution and any funding issued will be subject to claw back, as may any grants paid in error.
- 5.17 If changes were to be made following the Additional Restrictions Grant review by government (planned for January 2021), such would be reflected in an amendment to our scheme.