

URGENT REPORT TO THE LEADER

4 DECEMBER 2020

ADDITIONAL RESTRICTIONS GRANT

Portfolio Holder: Councillor Alan Jarrett, Leader

Councillor Rupert Turpin, Portfolio Holder for Business Management

Councillor Jane Chitty, Portfolio Holder for Planning, Economic Development and Regulation

Report from: Phil Watts, Chief Finance Officer

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Summary

This report sets out the latest government schemes to support businesses impacted by Covid-19 through the Additional Restrictions Grant.

1. Budget and policy framework

- 1.1. The Leader has urgency powers to make decisions which would ordinarily be made by the Cabinet. These provisions are set out in the Constitution (paragraph 3.2 of Part 3 (Responsibility for Cabinet functions) of Chapter 3 (Responsibility for Functions) of the Constitution.
- 1.2. The Chairman of the Business Support Overview and Scrutiny Committee has agreed that the taking of these decisions are urgent and cannot be reasonably deferred until the next Cabinet meeting on 15 December 2020, in accordance with Section 11 (Cases of special urgency) of the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations 2012 and Rule 17 (Special Urgency) of the Access to Information Rules (Part 2 of Chapter 4 in the Constitution). This is because it is imperative that the Council takes urgent action to support businesses by implementing the government scheme promptly in response to the COVID-19 pandemic. Following in assessment by the Council's epidemiologists, it is anticipated that the proposed scheme would be most needed support to Medway's businesses during national lockdowns, subject to any further change in national guidance.

- 1.3 Additionally, and in line with rule 15.11 of Chapter 4, Part 5 of the Constitution, call-in can be waived where any delay likely to be caused by the call-in process would seriously prejudice the Council's or the Public's interests. The Chairman of the Business Support Overview and Scrutiny Committee has agreed that the decisions proposed are reasonable in all the circumstances and to them being treated as a matter of urgency and to waive call-in.

2. Background

- 2.1. On Saturday 31 October 2020 the Prime Minister announced a second period of national lockdown, from 5 November to 2 December. On 3 November the Government confirmed there would be "Business Grants for Closed Businesses" and an 'Additional Restrictions Grant to support Businesses'.
- 2.2. Over the following weeks, a range of guidance and frequently asked questions documents were published which confirmed two funding streams, one mandatory and one discretionary. The mandatory element of this support is being provided to businesses forced to close due to the lockdown through the Local Restrictions Support Grant (LRSG) (Closed) scheme, which went live in Medway on 24 November 2020. If the value of eligible applications exceeds the grant allocation, this fund will be topped up by the Government. The discretionary element of this support is the Additional Restrictions Grant (ARG) which is intended to enable local authorities to support businesses in their local economies and to provide additional support to grant funding under the Local Restrictions Support Grant through to the end of March 2022. This fund is cash limited and no further top up to the grant will be made by the Government.
- 2.3. The guidance sets out that while the Government envisages this will primarily take the form of discretionary grants, local authorities may also use this funding for wider business support activities. If Local Authorities use ARG for direct business support grants, the same conditions of grant apply as for the LRSG (Closed), however local authorities have the discretion to alter the amount of funding offered to individual businesses and the frequency of payment. Local authorities are encouraged to develop discretionary grant schemes to help those businesses which, while not legally forced to close, are nonetheless severely impacted by the restrictions including those businesses outside the Business Rates system. In taking decisions on the appropriate level of grant, local authorities are asked to take into account the level of fixed costs faced by the business in question, the number of employees, whether they are unable to trade online and the consequent scale of coronavirus losses.
- 2.4. On 23 November 2020, the Chief Executive, using urgency powers, agreed that £3,526,020 be added to the Council's revenue budget in respect of the Local Restrictions Support Grant (Closed) scheme, and that £5,571,120 be added to the Council's revenue budget in respect of the Additional Restrictions Grant.

3. Medway Council ARG Proposal

- 3.1. It is proposed that activity and the total grant award will be split into two elements; a scheme providing grants directly to businesses impacted by national lockdown restrictions up until the end of March 2022, and a programme of business support interventions.

ARG Business Grants Scheme

- 3.2. The latest data from the Office of National Statistics (20 November 2020) shows that there are 8,885 enterprises in Medway, with the breakdown of that total across the sectors set out in the table below.

Industry	Medway
Agriculture, forestry & fishing	75
Mining, quarrying & utilities	35
Manufacturing	450
Construction	2,075
Motor trades	270
Wholesale	300
Retail	620
Transport & storage (inc. postal)	725
Accommodation & food services	495
Information & communication	550
Financial & insurance	115
Property	225
Professional, scientific & technical	1,225
Business administration & support services	730
Public administration & defence	15
Education	160
Health	365
Arts, entertainment, recreation & other services	450
	8,885

- 3.3. In May 2020, the Council implemented a Discretionary Business Grants Scheme which delivered 319 grants to businesses in Medway, averaging a payment of £5,793. It is anticipated that c1,600 enterprises will be supported through the LRSG (Closed) mandatory scheme. It is estimated that there could potentially be demand for c.400 grants of up to £3,000 each per national lockdown period.
- 3.4. It is therefore proposed that up to £1.2m could be spent per national lockdown period. Based on an estimate that there may be at least another two national lockdowns by end March 2022, it is proposed that up to £3.6m could be spent through a scheme giving grants to businesses who are not receiving support through the mandatory LRSG (Closed) scheme and for whom the restrictions have impacted their turnover by a minimum of 30%, with a payment of up to

£3,000 per national lockdown period. The proposed grant scheme for each national lockdown period is outlined in Appendix 1 of this report.

ARG Business Support Interventions Programme

- 3.5. It is proposed that further evidence-based policy development work is undertaken by the Economic Development, Regeneration, Business Intelligence and Finance teams to devise a range of activities and interventions to provide more broad support to Medway’s businesses and the economy. It is recommended that the remainder of the Council’s allocation, c£1,971,120, be allocated to this workstream.

4. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Fraudulent claims	We could receive claims from people attempting to fraudulently claim payments	Ensuring that all eligibility checks are completed pre payment and that systems are checked to verify information. Refer any suspicious claims to the Fraud and Audit Team.	CII
Payments made to incorrect bank accounts	We could transpose digits meaning we pay incorrectly	The Digital Team and ICT have developed a solution with prevents rekeying of data.	DII
Discretionary scheme is incorrectly set	The scheme could be too generous or not generous enough to allow eligibility.	An appropriate delegation is proposed to enable the scheme to adapt to changes within the economic environment.	CII

5. Financial implications

- 5.1. The ARG scheme is fully funded by the government, with Medway’s allocation confirmed as £5,571,120. The Government has announced that there will be a new burdens grant to local authorities for the administration and delivery of the

LRSB (Closed) and ARG schemes, however neither a national quantum nor individual authority funding allocations have been confirmed.

6. Legal implications

- 6.1. The Covid-19 pandemic is an unprecedented national and global event requiring urgent intervention by State and Local Authorities. The use of urgency powers will enable a fast and effective response by the Council and is in entirely line with the Constitutional provisions for urgent decision making.

7. Recommendations

- 7.1. The Leader is asked, using urgency powers, to agree the proposal to use the Additional Restrictions Grant (ARG) to deliver a Discretionary Lockdown Grant Scheme as set out in paragraphs 3.3 to 3.4 and Appendix 1 to this report and to agree to delegate authority to the Chief Finance Officer to consider and determine applications made under this Scheme.
- 7.2. The Leader is asked, using urgency powers, to agree to delegate authority to the Chief Finance Officer, in consultation with the Leader and the Portfolio for Business Management, to make minor amendments to this Scheme to enable it to adapt to the economic environment.
- 7.3. The Leader is asked, using urgency powers, to agree to delegate authority to the Chief Finance Officer in consultation with the Portfolio Holders for Business Management and Planning, Economic Development and Regulation to develop proposals for a range of activities and interventions to provide more broad support to Medway's businesses and the economy as set out in paragraph 3.5 of the report, and report back to the Cabinet as appropriate to obtain any necessary further approvals.
- 7.4. The Leader is asked to agree that recommendations 7.1, 7.2 and 7.3 are considered urgent and therefore should not be subject to call in.

8. Suggested reasons for decisions

- 8.1. Given the severity of the COVID-19 pandemic and the lack of cost to the local taxpayer it is appropriate for the Council to introduce these measures.

Lead officer contact

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Appendices

Appendix 1: Medway Council Additional Restrictions Grant: Discretionary Lockdown Grant Scheme

Background papers

Additional Restrictions Grant guidance: [Additional restrictions grant: guidance for Local Authorities \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

.....(signed) ...4 December 2020...(date)

Councillor Alan Jarrett, Leader of the Council

Medway Council Additional Restrictions Grant: Discretionary Lockdown Grant Scheme

Background

In taking decisions on the appropriate level of businesses grants to be administered, Central Government has advised Local Authorities to consider:

- the level of fixed costs faced by the business;
- the consequent scale of coronavirus losses;
- whether the business is unable to trade online; and
- the number of employees.

The grant amounts to individual businesses will be subject to State Aid limits.

Timescales

Grants will cover the period of the second National Lockdown from 5 November 2020 to 2 December 2020. Applications for the ARG will need to be submitted via an online form by midday on Wednesday 6 January 2021.

If businesses do not have access to the online form, a Microsoft Word or PDF version will be available via email request up to 48 hours prior to the deadline.

Requests will need to be submitted by email to businessandskills@medway.gov.uk

Eligibility Criteria

1. This funding is available for businesses that have either:
 - a. been forced to close, but are not eligible for the Local Restrictions Support Grant (Closed) Scheme, but have significant fixed costs* which are not related to employment, or
 - b. are open and have a rateable value, but their revenues are significantly** reduced because they rely on trade with other businesses forced to close either by the national restrictions announced on 31 October 2020 which came into force on the 5 November 2020.
 - c. are open and do not have a rateable value, but their revenues are significantly** reduced because they rely on trade with other businesses forced to close either by the national restrictions announced on 31 October 2020 which came into force on the 5 November 2020.

This grant will not be administered for periods of impact before these dates.

2. Businesses with a registered address in the Medway Council area will be eligible for this scheme. The business will need to be trading*** within Medway Local Authority Area. Where a business is registered in another council area (although has a physical presence in the Medway Local Authority Area) businesses are expected to apply to the Council where they are registered.

3. The business must have been actively trading on and before 4 November 2020.
4. ARG will be paid subject to State Aid regulations, meaning the business needs to check that they comply with State Aid rules and affirm this as part of their application. If State Aid rules are breached the responsibility lies with the applicant and, in line with the legislations, the Council will take action to recover the funding.

5. The Scheme will not 'top up' grants paid to businesses under the Local Restriction Support Grant (Closed) scheme.

* Fixed Costs – any costs relating to the operation of the business that cannot be cancelled during this period. These could include property costs for example, rent for non-rateable commercial premises and utilities. Fixed costs do not include employee costs.

** Significant Impact – A statement will be required from the company showing that at least 50% of their revenue comes from businesses required to close and that this will have a negative impact on their income of at least 30%.

***Trading – a business that, even if not registered within the Local Authority Area on Companies House, has a physical presence in the area and is clearly trading from an address within the Local Authority Area.

Exclusions to the Additional Restrictions Grant (Discretionary)

- Businesses that can continue to trade and operate their services effectively remotely from their business premises.
- Businesses that have chosen to close but have not been required to, will not be eligible for this grant unless they can demonstrate Significant Impact** through cancelled orders for products and services to closed businesses.
- Businesses which have already received grant payments that equal the maximum levels of State aid permitted under the de minimis and the Covid-19 Temporary State Aid Framework.
- For the avoidance of doubt, businesses that are in administration, insolvent or where a striking-off notice has been made, are not eligible for funding under this scheme.

Grant Levels

Businesses can receive up to a maximum of £3,000 for any given property***** up to a maximum of two properties in the Medway Local Authority Area during the second national lockdown period (5 November 2020 to 2 December 2020), subject to the following parameters:

For businesses forced to close:

- a) Businesses that have been forced to close that do not have a rateable value will receive grants in accordance with their size based on rental levels and documentary evidence provided. Grants will be assessed and allocated using the equivalent rateable grant values from the Local Restrictions Support Grant Scheme as follows:
- For properties with a rateable value of £15k or under, grants to be £1,334,
 - For properties with a rateable value of between £15k-£51k grants to be £2,000,
 - For properties with a rateable value of £51k or over grants to be £3,000.

For business not closed but significantly affected:**

- b) Business that have not closed that do not have a rateable value or who occupy part of a larger premises with a rateable value but have been significantly financially impacted** will receive 80% of one of the above tiers.

- c) Businesses that have a rateable value and have not closed but have been significantly impacted** will receive 80% of one of the above tiers.

When the impact on businesses can be identified to be lower than £1,334, the Council will have discretion to administer grants relative to the level of income lost.

**** Market Traders – Market Traders will be paid £250 by the Local Authority if they had a physical presence operating in the Medway Local Authority Area for the four weeks prior to the second lockdown (5 November 2020 to 2 December 2020).

***** Property – a business that has more than one property will be eligible to submit applications for up to 2 actively trading properties within the Medway Local Authority Area.

Evidence

Closed businesses applying for ARG funding will be required to make a statement that confirms their eligibility. Medway Council places responsibility on the applicant to agree that their statement is correct to the best of their knowledge. In addition, businesses that are required to close will need to provide evidence of their trading status. This will be in the form of a bank statement or latest audited or management accounts, showing business/applicant's name and registered address with income within the last 3 months. Businesses will be required to confirm the number of Full Time Equivalent employees and on-going fixed costs.

Open businesses that are applying for ARG funding will be required to make a statement that confirms their eligibility. The Council places responsibility on the applicant to agree that their statement is correct to the best of their knowledge. In addition, businesses that are not required to close will need to provide evidence to demonstrate they supply companies that have been required to close, providing documented evidence and a supporting declaration of the impact this has had on income. This will be in the form of a bank statement or latest audited or management accounts (showing the business name, registered address with income within the last 2 months) and supplier invoices (showing the business name, client name and registered address dated within the last 3 months).

Evidence to highlight at least 30% loss of income for businesses significantly affected must include latest monthly accounts or bank statements (November 2020) and a comparative period within the last 12 months.

Queries

All enquiries about this grant funding and this policy should contact the Economic Development Team using the email address businessandskills@medway.gov.uk.