

## **URGENT REPORT TO THE LEADER AND CHIEF EXECUTIVE**

**14 JANUARY 2021**

### **COVID-19 FURTHER BUSINESS SUPPORT SCHEMES**

Portfolio Holder: Councillor Alan Jarrett, Leader

Councillor Rupert Turpin, Portfolio Holder for Business  
Management

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.

#### **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 2 February 2021, 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.
- 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.

- 1.4 It is the responsibility of Cabinet to ensure that expenditure remains within the budgets approved by the Council, but it remains the responsibility of Council to approve additions to the Revenue Budget. Therefore, it is proposed that the Chief Executive uses the urgency provisions as set out in paragraph 4.1 of the Employee Delegation Scheme (including consultation with the Leader of the Council and the Leader of the Labour and Co-operative Group) to agree the additions to the revenue budget funded from grant provided by Central Government as set out in Section 2 of this report. The use of these urgency provisions will be reported to Full Council on 18 February 2021 for information.

## 2. Background

- 2.1 On 22 October 2020, the government announced financial support for businesses who were required to close under the then new tiered restrictions, along with support for businesses who could remain open, but would be severely impacted by the restrictions. On 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 business grants would be delivered through the mandatory Local Restrictions Support Grants (LRSB) and the discretionary Additional Restrictions Grant (ARG) and published a suite of guidance documents. Over the following weeks, the guidance documents were revised and a range of frequently asked questions were published. Through one of these FAQs documents, the government confirmed that the LRSB (Open) scheme was to be considered a discretionary scheme, with local authorities required to develop a scheme to help those businesses that are not legally required to close but are severely impacted by the restrictions under tiers 2 and 3. There are therefore two discretionary schemes, with the only difference in guidance being that eligibility for the LRSB (Open) is restricted to businesses with a business rate liability. Local authorities were required to develop schemes to use the ARG to support businesses significantly impacted by the restrictions but who do not meet the eligibility criteria of the LRSB (Closed) and LRSB (Sector) schemes. Eligibility for the LRSB schemes is based on business rate liability with payments based on rateable value of the business premises, while the ARG scheme was not prescriptive and could therefore be made available to businesses without a rateable business property.
- 2.2 On 23 November 2020, the Chief Executive, using urgency powers, agreed that £5,571,120 be added to the Council's revenue budget in respect of the ARG. The mandatory grants scheme to support businesses who were forced to close through the restrictions, the LRSB (Closed) and LRSB (Sector) schemes, went live in Medway on 24 November 2020.
- 2.3 On 1 December 2020, the Government announced the introduction of the Christmas Support Payment for wet-led pubs in areas under tier 2 or 3 restrictions. For the purpose of this grant, a wet-led pub is a pub which derives

less than 50% of their income from food sales. Medway's allocation for this grant is £76,800.

- 2.4 On 4 December 2020, the Leader, using urgency powers, agreed the proposal to use the ARG to deliver a Discretionary Lockdown Grant Scheme for the second period of national lockdown in November, and to develop proposals for a range of activities and interventions to provide more broad support to Medway's businesses and the economy from the funding during the 2021/22 financial year. Medway's ARG scheme went live on 7 December.
- 2.5 On 21 December 2020 the government wrote to local authority Finance Directors to confirm the LRSG (Closed) and LRSG (Open) initial allocations post 2 December. Medway's initial allocation against the (Closed) scheme is £351,212, with £56,537 for the (Open) scheme. Further allocations will be made fortnightly based on the tier the local authority is in at that point.
- 2.6 On Monday 4 January 2021, the Prime Minister announced a third period of national lockdown, with restrictions coming into effect from 5 January and expected to last until the middle of February subject to an improvement of the situation in hospitals. On 5 January, the Chancellor announced new one-off top up grants for retail, hospitality and leisure businesses worth up to £9,000 per property and a £594 million discretionary fund also made available to Councils to support other impacted businesses. The Government have advised all local authorities that they expect to issue guidance on how these grants should be administered by Friday 15 January 2021.
- 2.7 On 6 January 2021, the Department of Health & Social Care (DHSC) wrote to the Chief Executive confirming that the Council would receive a second allocation from the Contain Outbreak Management Fund (COMF) of £1,114,224 for the period 2-29 December 2020.
- 2.8 On 7 January, the Secretary of State for Business, Energy and Industrial Strategy wrote to local authority Chief Executives, confirming that the discretionary fund would take the form of a second allocation of the Additional Restrictions Grant, and that it should be "spent without delay, to help support those businesses that are affected by the new national restrictions even if not required to close."
- 2.9 Medway has been allocated a grant to cover the cost of administering the LRSG schemes (including ARG) of £76,500.
- 2.10 On 11 January 2021, the DHSC wrote to local authority Revenues & Benefits Managers and confirmed that the Test & Trace Isolation Payments Scheme will be extended to the 31 March 2021, with funding allocations for local authorities to be topped up. Medway's second tranche allocations are £47,000 for the mandatory scheme, £97,767 for the discretionary scheme and £7,314 as a new burdens payment.

### 3. Medway's Grant Schemes

- 3.1. On publication of guidance for mandatory grant schemes, these are implemented under the delegation granted to the Chief Finance Officer on 27 March 2020, through decision number 44/2020: The Leader, using urgency powers, agreed the proposals in respect of Council Tax and Business Rates Relief as set out in section 2 of the report and to delegate authority to the Chief Finance Officer, in consultation with the Leader and the Portfolio Holder for Business Management, to finalise and implement these proposals where further Government advice is awaited. Once funding allocations are confirmed, the Chief Finance Officer adds these to the Council's revenue budget under the delegation set out in the Council's Constitution, chapter 3, part 4, paragraph 6.23.
- 3.2. A total of 218 applications were received for Medway's initial ARG scheme, which aimed to provide support to businesses impacted during the second national lockdown in November 2020. The scheme closed to new applications on 6 January 2021.
- 3.3. It is proposed that Medway's ARG scheme, set out at Appendix 1 to the report be reopened for a second period, providing a round of payments to businesses impacted by the third national lockdown. It is also proposed that Medway's funding allocation for the LRSG (Open) scheme of £56,537 and for the second allocation of ARG when this is confirmed (estimated at £2.376million) should be awarded to businesses as direct grants alongside the balance of the first allocation of the ARG. It is proposed that no changes be made to the original scheme agreed on 4 December 2020 as set out in paragraph 2.4 of this report, with the exception of the removal of the closing date. This would allow continuous applications until such time as the Chief Finance Officer, in consultation with the Leader and Portfolio Holder for Business Management agree the grants scheme may be closed; either as a result of business impacts easing or where all funding has been distributed.

### 4. Additions to the Revenue Budget

- 4.1 The Chief Executive is requested to approve the addition of the funding set out in section 3 of this report using urgency powers as follows:
- 4.2 £76,800 be added to the Council's revenue budget in respect of the Christmas Support Payment for wet-led pubs, as set out in paragraph 2.3 of the report,
- 4.3 £351,212 be added to the Council's revenue budget in respect of the initial allocation for the LRSG (Closed) scheme post 2 December, as set out in paragraph 2.5 of the report,
- 4.4 £56,537 be added to the Council's revenue budget in respect of the initial allocation for the LRSG (Open) scheme post 2 December, as set out in paragraph 2.5 of the report,

- 4.5 £1,114,224 be added to the Council's revenue budget in respect of the second tranche of the COMF, as set out in paragraph 2.7 of the report,
- 4.6 £76,500 be added to the Council's revenue budget in respect of the LRSG Admin grant, as set out in paragraph 2.9 of the report,
- 4.7 £47,000 be added to the Council's revenue budget in respect of the Test & Trace Isolation Payments mandatory scheme, as set out in paragraph 2.10 of the report,
- 4.8 £97,767 be added to the Council's revenue budget in respect of the Test & Trace Isolation Payments discretionary scheme, as set out in paragraph 2.10 of the report, and
- 4.9 £7,314 be added to the Council's revenue budget in respect of the Test & Trace Isolation Payments new burdens funding, as set out in paragraph 2.10 of the report.

## 5. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
<b>Fraudulent claims</b>	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
<b>Payments made to incorrect bank accounts</b>	We could transpose digits meaning we pay incorrectly	The Digital Team and ICT have developed a solution with prevents rekeying of data.	DII
<b>Discretionary scheme is incorrectly set</b>	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

## 6. Financial implications

- 6.1 The LRSG and ARG schemes are fully funded by the government, with Medway's allocations (where confirmed) detailed in the report.

## 7. Legal implications

- 7.1 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.

## 8. Recommendations

- 8.1. The Leader is asked, using urgency powers, to agree to reopen the Additional Restrictions Grant (ARG) scheme in the form previously agreed on 4 December 2020 except to remove the closing date for applications as set out in paragraph 3.3 and Appendix 1 of the report and in doing so agree to:
- delegate authority to the Chief Finance Officer to consider and determine applications made under this Scheme,
  - 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,
  - delegate authority to the Chief Finance Officer, in consultation with the Leader and the Portfolio Holder for Business Management, to determine when the scheme should be closed.
- 8.2. The Leader is asked, using urgency powers, to agree that Medway's funding allocation for the LRSG (Open) scheme of £56,537 and for the second allocation of ARG when this is confirmed (estimated at £2.376million) should be awarded to businesses as direct grants alongside the balance of the first allocation of the ARG.
- 8.3. The Leader is asked to agree that recommendations 8.1 and 8.2 are considered urgent and therefore should not be subject to call in.
- 8.4. The Chief Executive is asked to agree, using urgency powers, to add the following sums:
- 8.5. £76,800 be added to the Council's revenue budget in respect of the Christmas Support Payment for wet-led pubs, as set out in paragraph 2.3 of the report,
- 8.6. £351,212 be added to the Council's revenue budget in respect of the initial allocation for the LRSG (Closed) scheme post 2 December, as set out in paragraph 2.6 of the report,

- 8.7. £56,537 be added to the Council’s revenue budget in respect of the initial allocation for the LRSG (Open) scheme post 2 December, as set out in paragraph 2.6 of the report,
- 8.8. £76,500 be added to the Council’s revenue budget in respect of the LRSG Admin grant, as set out in paragraph 2.9 of the report,
- 8.9. £47,000 be added to the Council’s revenue budget in respect of the Test & Trace Isolation Payments mandatory scheme, as set out in paragraph 2.10 of the report,
- 8.10. £97,767 be added to the Council’s revenue budget in respect of the Test & Trace Isolation Payments discretionary scheme, as set out in paragraph 2.10 of the report, and
- 8.11. £7,314 be added to the Council’s revenue budget in respect of the Test & Trace Isolation Payments new burdens funding, as set out in paragraph 2.10 of the report.

9. Suggested reasons for decisions

- 9.1 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) ... January 2021...(date)

Councillor Alan Jarrett, Leader of the Council

.....(signed) ... January 2021...(date)

Neil Davies, Chief Executive





### 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 from the second National Lockdown from 5 November 2020 and the ARG will operate a continuous application process until available funding is distributed or restrictions are reduced.

If businesses do not have access to the online form, a Microsoft Word or PDF version will be available via email, please request a copy by emailing [businessandskills@medway.gov.uk](mailto: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 or the national lockdown.
  - 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 or the national lockdown..

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) or the national lockdown, 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) or the national lockdown.

\*\*\*\*\* 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 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](mailto:businessandskills@medway.gov.uk).