

Report To: Managing Director

Date of Meeting: 22 February 2021

Report Title: Additional Restrictions Grant (ARG) Scheme Policy (Tranche 2)

Report By: Peter Grace
(Chief Finance Officer)

Key Decision: Yes

Classification: Open

Purpose of Report

To agree a revised Policy for the use and distribution of the Additional Restrictions Grant (ARG) funding received from government. This second scheme is aimed at assisting businesses with property related costs which have not been eligible for the government's Local Restrictions Support Grant (closed) scheme, as well as potentially supporting some other businesses that have been severely impacted by the pandemic. The grant monies received are to cover the period up to 31 March 2022.

Recommendation(s)

- 1. The Council's Managing Director in consultation with the Leader of the Council, the Deputy Leader, and the lead member for Financial Management and Estates approve the Hastings Additional Restrictions Grant Policy on behalf of the Council under Emergency Powers.**
- 2. The Chief Finance Officer is authorised to make technical amendments and adjustments to the scheme in consultation with the lead member for Financial Management and Estates to ensure available funding is distributed, and that it meets the criteria set by the Council and remains in line with Central Government guidance.**

Reasons for Recommendations

1. The Council needs to agree a further Additional Restriction Grant scheme (a discretionary grant scheme) as a matter of urgency to support businesses within the Borough.
2. Developing a scheme which has limited levels of funding that can not be exceeded, requires a degree of delegated authority to make technical amendments and adjustments to the scheme if grants are to be awarded quickly and to those which meet the eligibility criteria.

Introduction

1. This further discretionary grant scheme has been developed by the Council in response to an announcement made by the Secretary of State for Business, Energy & Industrial Strategy made on 31st October 2020 which sets out the basic circumstances whereby an additional restriction grant payment may be made by the Council to a business which has to close or are severely affected due to localised or widespread national restrictions being put in place to manage coronavirus and save lives.
2. Whilst the awarding of grants will largely be at the Council's discretion, the Department for Business, Energy & Industrial Strategy (BEIS) has set down criteria which must be met by each business making an application.
3. Initially the grant scheme applied where local restrictions (LCAL3) were put in place. It also applies where a widespread national lockdown is announced which happened again from 19 December 2020.
4. Localised restrictions are legally binding restrictions imposed on specific Local Authority areas or multiple Local Authority areas, where the Secretary of State for Health and Social Care requires the closure of businesses in a local area under regulations made using powers in Part 2A of the Public Health (Control of Disease) Act 1984 in response to the threat posed by coronavirus and commonly as part of a wider set of measures.
5. National restrictions are nationally binding widespread restrictions imposed by Parliament under legislation. The current national restrictions are made under the Health Protection (Coronavirus, Restrictions) (England) (No. 4) Regulations 2020.
6. Grants under this scheme will be available for the 2020/21 and 2021/22 financial years only.
7. The government advise that
 - (a) No grant can be paid for any period where the localised or widespread national restrictions were in place prior to 14th October 2020.
 - (b) Where any area enters either a localised restriction (LCAL3) or where a national restriction applies, additional assistance may be given to businesses under the Council's Local Restrictions Support Grants (Closed) Scheme (as amended).

Proposal on Use of Funding

8. It is recognised that this funding will be insufficient to support all businesses that have suffered severe financial impacts as a result of the pandemic.
9. The scheme must be relatively simple to administer and apply for. The levels of grants awarded must be sufficient to make a difference to the businesses that have **been severely impacted**. The period which the grant funding scheme is required to cover is long and the number of lockdowns that could occur is clearly unknown. If the Council wishes to retain sufficient resources to assist those businesses that are impacted from future lockdowns it needs to identify and ring fence the necessary resources to do so. It is proposed that this round of funding is limited to £2m, leaving some funding available for future periods.

10. The government consider that this grant regime should not assist businesses with their employee costs but be directed towards those businesses which continue to have unavoidable property related costs. The government have introduced employee assistance packages such as the Furlough scheme, Self-Employed Income Support Scheme grant, (SEISS), and Coronavirus Job Retention Scheme assistance (CJRS).
11. As a first priority (period 5 November to 2 December 2020) this funding scheme sought to first assist those businesses that were not eligible for the Local Restrictions Support Grant (closed) scheme during the national lockdown and ring fenced a proportion of the funding for this period. The application period for the first period ended on the 16 December 2020 and whilst there are still one or two queries that are received on eligibility the scheme is now closed with payments to 60 businesses at a value of £64,152.
12. It is proposed that as resources are freed up, further schemes will be developed (or the existing scheme expanded) to support the local economy which may, for example, include helping to revitalise the arts and culture sector and provide some grants to businesses that have been severely impacted by the pandemic. It has been suggested by one business organisation that the Council considers developing an e-commerce site for local businesses that would assist during the lockdown periods and in recovery. Further suggestions are for grants to help businesses to diversify. It is proposed that these and other suggestions are more carefully considered once this further round of assistance is introduced.
13. The Additional Restrictions Grant (ARG) scheme has been prepared in conjunction with other East Sussex authorities, albeit that each area has its own priorities and differing levels of funding.

Eligibility Criteria and Awards

14. Unlike the previous business support grant schemes, the Council is able, should it so choose, to use this funding for other business support activities. However, the Government envisage that this will primarily take the form of discretionary grants.
15. If Local Authorities use the Additional Restriction Grant for direct business support grants, Government has stated that the same conditions of grant must apply as for the Local Restrictions Support Grant (Closed) scheme, and there will be weekly returns to government on its use, and audit assurance programmes to prevent and detect fraudulent applications. Whilst many of the key conditions will still apply the Council has the discretion to determine the amount of funding offered to individual businesses, eligibility criteria and the frequency of payment.
16. **Government has stated that the Council may also consider making grant payments to those businesses which, while not legally forced to close are nonetheless severely impacted by the restrictions put in place to control the spread of Covid-19. Government has also stated that the Council may also wish to assist businesses which are outside of the rating system and which are effectively forced to close.**
17. **The ARG Policy – Tranche 2**

The draft policy is attached. In short a business must be experiencing a severe impact as a result of the pandemic in order to qualify. Evidence of reduced turnover (down by 30% or more) for the period 1 April to 2020 to date – in comparison to the previous year will need to

be shown.

18. **Payment will only be made where fixed costs (property related costs actually incurred) have exceeded the business grants received to date. Property related costs being rates, rent, utility costs, property related service costs, and insurance. Where fixed costs are not involved the grant payable will not exceed turnover lost.**
19. Evidence of the payments made in the period will be required, and payments of rents or service charges to management or group companies or businesses where there is a same named director, are not eligible for the purposes of calculating this grant.
20. Utility costs to ONLY include, gas, electricity, water & sewerage for the purposes of the grant calculation. For avoidance of doubt Transport and Vehicle related costs are not eligible expenditure items for consideration of this particular grant.
21. If the business has no Non-Domestic rating assessment and falls within one of the categories listed in the policy then an award will be granted subject to the conditions detailed.
22. All businesses must provide evidence of trading such as VAT registration, business bank account, details of company etc in support of any application.
23. Where the applicant is self-employed and in receipt of a Self-Employed Income Support Scheme grant (SEISS), they will not be eligible to claim.
24. In all cases businesses must have been trading the day prior to the widespread national restrictions or LCAL3 restrictions to be eligible to receive grant support.

Excluded businesses - both local and national restrictions

25. The following businesses will not be eligible for an award:
 - a) Businesses in areas outside the scope of the localised restrictions, as defined by Government and not subject to a widespread national restriction, save for those detailed in this scheme;
 - b) Businesses that have chosen to close but not been required to, will not be eligible;
 - c) 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; and
 - d) Businesses that were in administration, are insolvent, or where a striking-off notice has been made at the date of the local restriction or widespread national restriction.
 - e) Businesses that have received a previous grant award that they were not entitled to receive and have not repaid it or where recovery action or prosecution action is being undertaken

The Effective Date

26. The effective date for eligibility is the date of the widespread national restrictions. Businesses must have been trading on 4 November 2020 to be eligible to receive grant support.

Funding

27. Under the Additional Restrictions Grant Scheme (ARG) provisions, the Council has received funding from government amounting to £2,676,332 of which an element has been paid in respect of the period 5 November to 2 December 2020.
28. Once the Council's area is removed from local restrictions (LCAL3) or widespread national restrictions, no additional funding will be received from Government even if either the local restrictions or widespread national restrictions are imposed.
29. The Council only has a fixed amount of funding available from the government for discretionary schemes and this is expected to cover the period to 31 March 2022. Given the funding pressures that the Council itself is currently facing it is unable to add to this level of resources.
30. The level of uptake and estimate of the grants payable under this second round scheme are not known and hence it is a first come first served scheme. If there were to be further local restrictions or national restrictions after this period then the Council could, if it wished to assist these businesses again, ring fence some of the grant money received. Likewise, if the Council has not used all the grant funding it could increase the level of payments to meet more of the fixed property costs of companies that grant schemes have not covered to date. It is proposed that this second tranche of funding will be limited to £2m.

Applications and Information

31. The Council's website can be updated to allow applications for the ARG scheme.
32. The application portal will remain open until 1 April 2021, thus providing a balance between allowing sufficient time to apply for the scheme and provide the necessary supporting documentation, along with the necessity for HBC to make payments rapidly as well as being prepared to open up another window should there be a further lockdown period immediately after this one ends. Applications will be considered against the criteria laid down as and when they are received, and business checks will be undertaken by the Revenues team and internal auditors to verify the details supplied.

Delegation

33. It is recommended that the Chief Finance Officer in consultation with the member for Financial Management and Estates be given delegated authority to make technical and other changes to the scheme to stay within the agreed criteria, government guidelines and funding levels.

Review and Appeals

34. The Council will operate an internal review process and will accept an applicant's request for a review of its decision.
35. All such requests must be made in writing to the Council within 14 days of the Council's decision, and should state the reasons why the applicant is aggrieved with the decision of the Council. New information may be submitted at this stage to support the applicant's appeal.
36. The application will be reconsidered by a senior officer, as soon as practicable, and the applicant informed in writing or by email of the decision.

State Aid

37. Any Discretionary Business Grant is given as state aid under either the de minimus rules or the temporary Framework for State Aid – as published on 19 March 2020. This means businesses receiving support under these provisions can receive up to €200,000 or €800,000 respectively in aid over three years (being the current and previous two years).
38. Any grant awarded is required to comply with the EU law on state aid. This will involve the applicant declaring to the Council if they have received any other de minimis State aid or aid provided under the EU Commission Covid-19 Temporary Framework.

Other Grant Conditions and Responsibilities of the Grant Recipient

39. The Council has been advised that all grants are taxable. Applicants will need to make their own enquiries to establish any taxable position or liability.

Government Reporting

40. The Council are required to report to the government the level of grants distributed on a weekly basis. Details of companies applying, and payments made will be shared with the responsible government departments and HMRC.

Risk Management - Managing the Risk of Fraud and the Protection of Public Funds

41. Any applicant caught falsifying information to gain grant money or failing to declare entitlement to any specified grants will face prosecution and any funding issued will be recovered from them. The Council will use a number of tools, such as credit reference agencies and the government's Spotlight software.

Economic/Financial Implications

42. The grants are fully funded by the government. It is not yet known whether or to what levels new burdens funding will be forthcoming to cover the costs of developing and operating this scheme.

Local People's views

43. The views of local business organisations and Councillors were sought on the development of the first discretionary grant scheme (June 2020), and the initial ARG scheme generally mirrored the same eligibility criteria.

44. The views of local business organisations and Councillors will be sought wherever possible.

Organisational Consequences

45. A working group has been set up within the Council to develop the scheme and monitor performance. This has comprised officers from, Revenues and Benefits, Transformation, IT, Regeneration, Communications, Accountancy, and Audit.
46. This is putting additional pressures on resources, at the same time as running the existing Test and Trace payment scheme, the Local Restrictions Support Grant (closed) scheme, Closed Business Lockdown Payment, Local Restriction Support Grant (Open) and the Council Tax support hardship scheme. The diversion of resources inevitably impacts on other areas of work – with consequent backlogs and increased pressures on staff.
47. The online application form, and details of the supporting evidence required, is being developed by the Energy Development and Delivery Project Manager and is expected to be available on the website in the next few days.

Timetable of Next Steps

Action	Key milestone	Due date (provisional)	Responsible
Gain Approval under Emergency Powers		w/c 22/2/2021	Chief Finance Officer
Application Window opens	Open Application Window/ Communications/ Emails to those who have made expressions of interest	w/c2/2//21	Communications/ IT/ Transformation Team
Assessment and Processing of Payments	Assessments of applications	Ongoing to 1 April 2021	Revenues and Benefits Manager/ Chief Finance Officer/ Transformation Team/
Payment of Grants	Payment of Awards	Ongoing to April /May 2021	Accountancy
Review of Scheme & Development of further proposals	Development of further support packages following review of the take-up of the initial scheme	Ongoing	Chief Finance Officer/ Revenues and Benefits Manager/ Transformation Team/ Communications

Wards Affected

All

Policy Implications

Report Template v30.0



Equalities and Community Cohesiveness **No**

Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues & Climate Change	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	Yes
Local People's Views	Yes
Anti-Poverty	No
Legal	No

Additional Information

Documents Attached:

- (i) Additional Restrictions Grant Policy – Tranche 2

Officer to Contact

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