

BRIEFING PAPER

SUBJECT: The distribution of COVID related business grants
DATE: 15 April 2021
RECIPIENT: Overview and Scrutiny Management Committee

THIS IS NOT A DECISION PAPER

SUMMARY:

The programme of business grants have been widely discussed during the last 12 months through GOLD, COVID briefings, Member e-Zines and most recently at the All Member briefing on the distribution of the business grants on 1 March 2021. Proactive support has also come from the Hampshire Chamber of Commerce, Go Southampton and the Federation of Small Businesses with additional input from thematic recovery workshops covering the retail, hospitality, the night-time economy, maritime and construction sectors.

This paper provides additional and updated detail to the Overview and Scrutiny Management Committee.

A number of business support schemes have been administered since the first national 'lock-down' in March 2020 and more recently during the second 'lock-down' from 5 November to 2 December 2020 and then during the third lock-down with **over £113 million awarded to local businesses to date**. Additional, new funding also continues to be administered.

BACKGROUND and BRIEFING DETAILS:

The total value of business support measures in the UK since March 2020 is forecast to total £25 billion and support measures are still being provided in line with the road map out of lock- down from 8 March to 21 June 2021.

Southampton City Council (SCC) has received 43 payments in the form of general grants for support with COVID 19, specific grants to support individual services or initiatives and funding to administer and disperse to third parties, including businesses. The total value of these payments has been just over £141 million. £107.89 million of the total has been in the form of funding to administer and disperse to third parties, including businesses.

Both business support grants and business rates reliefs have been dispersed since March 2020. Business rate reliefs have been provided to 1,926 businesses with awards totalling £52.2m under the expanded retail, hospitality, non-essential retail and nursery schemes.

Additional new reliefs and business rates support measures were also announced in the Budget on 3 March 2021.

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NDR Retail, Hospitality and Leisure Reliefs

	Applications	Awards	Value Paid
• Expanded Retail Discount	Not required	1897	£51.8 million
• Nursery relief	Not required	29	£360,372
	Total	1,926	£52.2 million

All of the schemes described below have been to provide businesses with support against fixed costs or fixed business overheads. Support was also provided through the various loan, income support schemes and tax reliefs. The main schemes include:

- Coronavirus Job Retention Scheme
- Self-Employment Income Support Scheme
- Recovery Loan Scheme
- COVID-19 Corporate Financing Facility
- Coronavirus Business Interruption Loan Scheme (CBILS – now closed)

From March to September 2020 business supports grants were also paid under now closed schemes including the Small Business Grant and the Retail, Hospitality and Leisure Grant schemes. These two schemes have been the second and third most significant by value.

Small businesses in England which paid little or no business rates were entitled to a one-off cash grant of £10,000 through the small business grant scheme.

Businesses in England in the retail, hospitality and leisure sectors were entitled to a one-off cash grant of up to £25,000 based on rateable value. Smaller retailers or hospitality business with a rateable value of less than £15,000 could receive a £10,000 one-off grant.

It should be noted that government determined not to offer grant support to retail, hospitality and leisure businesses with rateable values of over £51,000 and so some of the largest employers in these sectors had to initially rely on reserves and COVID bank loans.

Members should note that the Small Business Grant and the Retail, Hospitality and Leisure Grant schemes had been based on pre-determined populations of businesses through local Ratings Lists, in effect eligible businesses paying business rates.

The discretionary funds have not been based on predetermined populations of businesses, rather those businesses outside of the business rate system.

The Local Authority Discretionary Grants Fund (LADGF) scheme provided targeted support to adversely impacted businesses outside of the business rates system. The LADGF was announced in May 2020, aimed at small businesses outside the scope of

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the main grant schemes and businesses suffering financial hardship as a result of the first economic 'lock-down'. The scheme was closed in August 2020.

The distribution of funds under the LADGF was based on a number of nationally determined criteria with a request to prioritise the following businesses:

- Small businesses in shared offices spaces, other flexible workspaces and incubators which did not have a business rates assessment;
- Regular market traders with fixed property costs and not paying business rates;
- Bed & Breakfasts and guesthouses paying Council Tax instead of business rates;
- Charity properties in receipt of charitable business rates relief.

Businesses supported through the Small Business Grant and the Retail, Hospitality and Leisure Grant schemes could not receive support through the LADGF.

	Status	Grants paid	Value
Small Business Grant scheme	Closed	2042	£20.4 million
Retail, Hospitality and Leisure Grant scheme	Closed	847	£17.2 million
LADGF Scheme	Closed	271	£1.57 million
	Total	3,160	£39.2 million

The Department for Business, Energy & Industrial Strategy (BEIS) requested that local authorities close the Small Business Grants Fund and the Retail, Hospitality & Leisure Grants Fund on 30 September 2020. The LADGF was requested to close earlier in August 2020.

On 31 October 2020, the Government announced the introduction of additional support for Local Authorities under Tier 3 restrictions, with national restrictions reintroduced.

On 23 November 2020, the Government's COVID-19 Winter Plan was published, with changes announced to the system with Southampton being subject to new Tier 2 restrictions.

The main schemes for supporting businesses subject to Tier 2 and Tier 3 restrictions were the Local Restrictions Support Grant (Open) Version 2 and the Additional Restrictions Grant schemes. Southampton entered Tier 3 restrictions on the 17 December 2020.

The Local Restrictions Support Grant (Open) was for businesses that are not legally required to close but were severely impacted by the restrictions under Tier 2 and 3.

The Local Restrictions Support Grant (Closed) for businesses that are required to close under Tier 2 or Tier 3 restrictions. This scheme also supported businesses mandated to close under any national restrictions during the second lock-down from 5 November to 2 December 2020 and then during the third lock-down from 5 January 2021.

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The periods of transition through the previous national Tiers in December, with Southampton entering Tier 3 on the 17 December 2020 and then Tier 4 with many other areas of the South East of England on the 26 December 2020 resulted in transitions between schemes.

When Southampton transitioned to the new Tier 2 on midnight 2nd December new schemes came into play with added complexity around all these support measures. We essentially moved from administering two schemes, based on a 28 day payment cycle, to launching and administering four new schemes based on a 14 day cycle and also providing any one-off payments, to “wet-led” pubs and other similar businesses.

All of the business support schemes described below cover the transitional period until these schemes were closed on the 31 March 2021.

Grants for the period November 2020 to 31 March 2021

	Status	Grants Paid	Value
Christmas Support Payment to Wet-Led Pubs	Closed	91	£91,000
Local Restrictions Support Grant (Closed) addendum (5 Nov – 2 Dec	Closed 31.03.21 , final payments by 30.04.21	1370	£2,336,058
Local Restrictions Support Grant (Sectors)	Closed 31.03.21 , final payments by 30.04.21	16	£12,298
Local Restrictions Support Grant (Open)	Closed	150	£152,654
Local Restrictions Support Grant (Closed) - Post 2 December 2020	Closed 31.03.21 , final payments by 30.04.21	60	£49,337
Local Restrictions Support Grant (Closed) addendum - Tier 4	Closed 31.03.21 , final payments by 30.04.21	1380	£844,841
Local Restrictions Support Grant (Closed) addendum - Post 5 January 2021	Two parts: 42 days Closed 31.03.21 , final payments by 30.04.21 44 days Closed 31.05.21 , final payments by 30.06.21	3720	£8,868,424
Closed Businesses Lockdown Payment	Closed 31.03.21 , final payments by 30.04.21	1376	£7,107,000
		Total	£19.5 million

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The road map out of lock-down from 8 March to 21 June 2021 also provides a blueprint for the new Restart Grants announced in the Budget on 3 March 2021.

The new **Restart Grant** and **Additional Restrictions Grant (ARG)** schemes are now the only two schemes being administered, although the Local Restrictions Support Grant (Closed) addendum - Post 5 January, for the period from the 16.02.21 to 31.03.21 remains open.

The initial allocation to SCC for the Restart Grant scheme is £12.66 million.

The **Additional Restrictions Grant (ARG)** scheme aims to support businesses '**severely impacted**' by coronavirus restrictions when most needed. Funding was first made available in Financial Year 2020-2021 and can be used across Financial Years 20/21 and 21/22. However, Local Authorities are encouraged to distribute funding to businesses who require support as soon as possible.

The Additional Restrictions Grant (ARG) scheme was opened to submissions in Southampton on the 23 December 2020 and has remained open. A sub-scheme called the Mobile Workers Support Grant was launched more recently in March 2020 to support licenced private hire and hackney carriage drivers.

The purpose of the scheme is to support those businesses that have been most impacted by local restrictions, with fixed commercial costs and overheads, to encourage recovery and continuing employment as the 'lock-down' measures are eased.

Funds that have not been distributed through the ARG by Local Authorities by 31 March 2022 will be subject to recovery by the Department for Business, Energy & Industrial Strategy.

On the 1 April 2021 BEIS issued revised guidance to local authorities describing that original ARG allocations of £5 million and a top-up £2.2 million, provided in January 2021, should ideally be distributed before the 30 June 2021, incentivised with a further indicative top-up of £1.56 million. (*This indicative, second top-up has yet to be confirmed making the planning of the distribution of remaining funds to March 2022 and closure of the scheme more difficult.*)

The distribution of Additional Restrictions Grant from 23 December 2020

	Status	Payments	Cumulative value
Initial ARG scheme for businesses outside of NDR to 07 Jan 2021	Paid	16	£21,334
Total ARG payments from Dec 2020 to 31 Jan 2021	Paid	93	£83,594

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Total ARG payments from Dec 2020 to 31 Feb 2021	Paid	256	£206,844
Total ARG payments from Dec 2020 to 31 March 2021	Paid	446	£362,594
ARG + and Mobile Worker payments to mid-April 2021	Paid	1296	£2,292,869

In May and June 2021 additional payments will be made under the new ARG + scheme. This scheme is to provide equivalent support to the new 'Restart Grants' to those businesses that have been '**severely impacted**' by coronavirus restrictions and cannot access the Restart scheme.

The value of monthly payments, not the cumulative value, in April through the ARG and Mobile Worker Support sub-scheme based on current scheduled payments, totalled £1,152,250. In May and June this figure will be larger as the ARG scheme expands further with new submissions, and with additional Mobile Worker Support payments. The total value of monthly payments in May and June is forecast to exceed £2 million based on current growth rates.

With the value of monthly ARG payments at over £2 million it is anticipated that the allocations under this scheme will be dispersed by 30 June. If the indicative second top-up is provided then this sum will enable further support to March.

In addition the ARG allows for SCC to commission broader business support measures, for example in supporting start-ups.

RESOURCE/POLICY/FINANCIAL/LEGAL IMPLICATIONS:

Statutory schemes and discretionary schemes have been approved using the following *delegated authority* provided at the Extraordinary Council Meeting on 24 June 2020 in the Finance entitled – 'Acceptance of External Funding, Scheme Expenditure Approvals, Delegation in relation to future External COVID funding and Review of Financial Procedure Rules'.

'To delegate authority to the S.151 Officer to accept and authorise spend on any external COVID related funding regardless of value, provided they do so following consultation with the Cabinet Member for Resources & Income Generation, Leader, and relevant Cabinet Member and Executive Director in whose area of responsibility funding implementation lies.'

The most recent example of the use of this delegation was the expansion of Additional Restrictions Grant scheme to include the Mobile Workers Scheme as approved by Cabinet Members and the Executive Management Team on the 16 March 2021.

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On budgeting, payments and on performance data collection reports will be created on a weekly basis through the DELTA system to the Department for Business, Energy & Industrial Strategy. Administrative costs for all of the schemes are covered through allocations via 'New Burdens' funding allocations and are fully funded. **However it should be noted that the ARG carries a fixed budget** and any cost overruns will have to be covered by SCC.

Localised restrictions are legally binding, being imposed on specific Local Authority areas where the Secretary of State for Health and Social Care uses powers in Part 2A of the Public Health (Control of Disease) Act 1984, in response to the threat posed by coronavirus.

A legal assessment has been provided against the original business support schemes and an Equality and Safety impact assessment provided.

OPTIONS and TIMESCALES:

The strategy for the Additional Restrictions Grant (ARG) has been realised in expanding the scheme week by week with monthly recurring payments and with equivalent one-off grant payments to mirror those made through the main schemes.

Other local authorities determined to pay one-off grant payments sooner. Locally the focus of the ARG scheme has been one of expansion for six months in-line with the road-map out of lock-down from 8 March to 21 June 2021 and to support a lock-down recovery.

The option also existed to adopt a more considered, targeted approach to meet the main government criteria to support those businesses most impacted and in need. As such targeted supplementary support, in the form of on-going monthly payments, has also been provided to businesses in the non-essential retail, hospitality and leisure sectors. A good example of such support has been to offer pub tenants support in the instance of brewery chains applying for grants through the LRSG scheme and not passing these on.

The challenge now will be to close the ARG scheme to new applications at 1 June and to reconcile the current scheme before the 30 June 2021.

Funds that have not been distributed through the ARG by Local Authorities by 31 March 2022 will be subject to recovery by the Department for Business, Energy & Industrial Strategy. Any additional top-up funding under this scheme can be dispersed between 1 July 2021 and 31 March 2022.

The Local Restrictions Support Grant and other pre-Budget schemes were requested to close by the Department for Business, Energy & Industrial Strategy on the 31 March 2021.

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RISK MANAGEMENT IMPLICATIONS

A significant risk lies in the changing nature of local restrictions and the potential impact of the additional waves of COVID-19 during the road map out of lock-down from 8 March to 21 June 2021.

The risks associated with delivery in terms of administrative costs and burdens have been assessed in line with previously administered schemes although the ARG is based on a fixed budget position. This is a financial risk that will have to be closely monitored by SCC.

All of the schemes outlined in this report have been monitored since April 2020 and will continue to be monitored through the national DELTA portal. All performance data has been published and will continue to be monitored.

All schemes have been subject and will continue to be subject to detailed assurance frameworks and audits, including:

- Managing the risk of fraud and payments in error;
- Running company checks;
- Running solvency checks;
- Running bank account checks;
- The provision of pre- and post-event assurance, and
- Meet all national and local monitoring and reporting requirements.

Appendices/Supporting Information:

Further details of the current business support schemes can be found here - [SCC Covid19 / Businesses](#).

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