

Executive Member for Finance & Performance

18 January 2021

Report of the Interim Director of Place

Review of Additional Restrictions Grant (ARG)

Summary

1. Following the paper presented on 12th November 2020 on the Additional Restriction Grants (ARG), the scheme was implemented as described. Businesses that were ineligible under the criteria provided were invited to contact the Economic Growth team. This paper reviews those criteria in the light of such feedback.
2. A total of 946 applications were received for ARG funding during the November lockdown. 743 applications have been approved with 11 pending further information and 192 declined. The total amount of funding provided to date is £516,258. Successful applicants will automatically receive ARG grants in the current lockdown.
3. ARG grants are also available in Tier 3 restrictions, but to a smaller range of sectors as outlined in the previous paper. In Tier 3, non-essential retail and personal service businesses are permitted to trade, and are thus not eligible for grant funding. 50% by number and 45% by value of applications for the November lockdown are also be eligible for Tier 3. York was in Tier 3 between 29th December 2020 and 5th January 2021. Eligible applicants from the November round will be provided with Tier 3 grants without need for further application.
4. Two key issues for the ARG criteria have been identified through feedback.
 - a. The restriction we placed on businesses run in York by people resident in other Local Authority areas has meant that some York businesses have not received any grant support

as the owner's Local Authority has deemed them ineligible as their business is in York.

- b. A small number of guest houses and B&B's that are not in the rates system but pay Council Tax have found that the £500 that we are providing is significantly below the value of grants received by competitors within the rates system.
5. Some revisions are proposed to the criteria which would address these anomalies. These would bring a further 100 or so businesses into scope, with an additional cost estimated at £65k.
6. We are also aware that there remain significant numbers of potentially eligible businesses that were not aware that they could apply for ARG funding. We propose to redouble efforts to make such businesses aware of the funding, and to enable them to backdate applications to include the November 2020 lockdown period. We estimate that this might increase the number of applicants by as much as 50%, potentially adding a further £300k per 28 day qualifying period to the grant total.
7. Some enquiries have been received from larger businesses that have either not been eligible for the more substantial rates-related grants, or where lockdown has provided significant challenges to ongoing viability and the grants provided are proving insufficient. This is a particular issue for businesses in the supply chain of hospitality and leisure, as they are excluded from the larger one-off payments that have been a big part of the mandatory schemes. There is scope in the national ARG criteria to provide top-up grants to such businesses. We propose an additional top-up scheme for such businesses.
8. Childcare businesses – in particular nurseries – are severely impacted by the current lockdown as a consequence of school closures, yet are not eligible for mandatory grants. Earlier in the pandemic, we supported nurseries through our enhanced MicroGrant scheme and other childcare providers through the original MicroGrant scheme. We propose to extend the criteria for ARG to provide specific grants for nurseries, and to make it clear to other childcare providers that they can apply to ARG under the existing criteria when the scheme reopens.
9. National criteria preclude the provision of grants from ARG relating to the Spring 2020 period of lockdown. The £51k rateable value

cap that was implemented at that stage led to many requests for a change in criteria. Such businesses are now eligible for payments, however we are not permitted to provide additional top-ups to recognise what was not available previously.

10. The overall budget for £6.1m confirmed ARG funding, will provide for 4 months of full lockdown and 2 months in Tier 3 together with the business support and reopening allocations made in November 2020.

Recommendations

11. The Executive Member is asked to extend the criteria for ARG grants to cover:
 - Eligible businesses trading at least 75% in York where the proprietor is not a York resident if support is not available the proprietor's Local Authority of residence.
 - Accommodation businesses which are run outside of the NNDR regime, instead paying Council Tax, will be eligible for payments equivalent to the lowest level of grants for businesses in the rates system. This would provide grants of £1,334 per 28-day qualifying restriction period to such businesses
 - In recognition of their strategic importance in enabling employment and the financial challenges that are currently being faced, nurseries will be eligible for payments at the higher level of £3000 per 28 day qualifying period. Other childcare businesses will be encouraged to apply under the existing criteria, with their sector added to the list of those eligible.
 - Supply chain businesses which have not received mandatory rates-related grants, where they have lost at least 75% of their income due to closure of their customers, will be eligible for one-off top-up grants of £25k.
12. Should any element of this scheme be changed by subsequent government guidance it is proposed that the Executive Member delegates the decision under this scheme to the Chief Finance Officer (s151) in consultation with the Executive Member Finance and Performance/Executive Member Economy & Strategic Planning, with changes approved retrospectively in public at the next available Executive Member decision session.

Reason: To support to York businesses which are affected by the Lockdown and Tier 3 restrictions but not eligible for Local Restrictions Grant (Closed) funding.

Additional ARG allocation

13. The Additional Restrictions Grant (ARG) is provided as a grant from Government to Local Authorities under section 31 of the Local Government Act 2003. York was allocated £4,212,360 of ARG as a one-off payment to cover the November 2020 lockdown, any future national lockdowns, and any period when York might be subject to local Tier 3 restrictions before the end of financial year 2021/22.
14. In the Chancellor's announcement of 5th January 2021, a further allocation for the current national lockdown was announced. A further allocation of £1,870,931 was announced on 14th January 2021. The total of ARG funding announced for York is thus £6,083,291. Guidance received on 13th Jan 2020 indicates that the conditions will be exactly the same as for the November funding. These were set out in the November 2020 paper. The funding is to last until March 2022.
15. In a letter to Local Authority Leaders and Chief Executives, the Business Secretary urged LAs to spend the new allocation as quickly as possible rather than holding it back for future lockdowns. Advice from civil servants however maintains that the grant is still expected to cover the period to March 2022 and therefore our scheme needs to be able to run beyond the current lockdown. The council have been very efficient in distributing this grant quickly and therefore the approach being taken is consistent with the letter from the Business Secretary.

Analysis of November 2020 ARG applications

16. In the November paper we estimated that there would be approximately 750 businesses in scope and that the total cost would be in the order of £750k to £1m per 28 day period. In practice, we have awarded 743 grants to date for a total of £516,258 in the first 28-day qualifying period, with 11 applications pending further information at the time of writing this report.
17. To date, 180 applications have been declined. Half of these are due to the businesses being eligible for the mandatory Local Restrictions Grants or the business being still able to trade. A further 25% - 45 applications – were declined due to the business owner not living within the City of York Council area. The

remainder were predominantly duplicate applications, or from businesses not trading in York.

18. Feedback from unsuccessful applicants has highlighted additional cases where York businesses were unable to apply due to the owner residing in a different local authority area. In the first instance, we asked such applicants to approach the local authority where they live, as we wanted to avoid such businesses getting grants from both authorities. In many cases, these applications were also unsuccessful. Together with those identified above, we estimate that there may be 100 such businesses in York, and propose to extend the criteria to include them. The additional cost would be in the order of £50-70k per 28 day qualifying period.
19. One third of all grants in November were to taxi drivers, each receiving the £500 grant for those without fixed premises costs. This was a greater number than had been estimated on the basis of the March – June 2020 Micro Grant scheme, and also had the effect of reducing the average grant amount.
20. Considering all of the above, we are therefore revising our estimate of the number of businesses in scope to be 1,000, and the estimated total grant per 28-day qualifying period to be £1 million. The number eligible has increased, but the total grant estimate is thus unchanged.
21. Reviewing the Tier 3 eligibility on the basis of November applications suggests that our November estimate was too low. We had assumed that only 20% of applicants would be eligible in Tier 3, but in practice we have seen that close to 50% of the November applicants would also be eligible in Tier 3 circumstances. Again, this is primarily due to the high number of applications from the taxi and private hire trade, who are treated as being in the supply chain for the leisure sector. Tier 3 costs would thus be in the order of £500k per 28 day qualifying period.
22. The top-up grants for supply chain and additional payments for nurseries discussed above will have cost implications. A budget line of £400k is provided for these aspects.

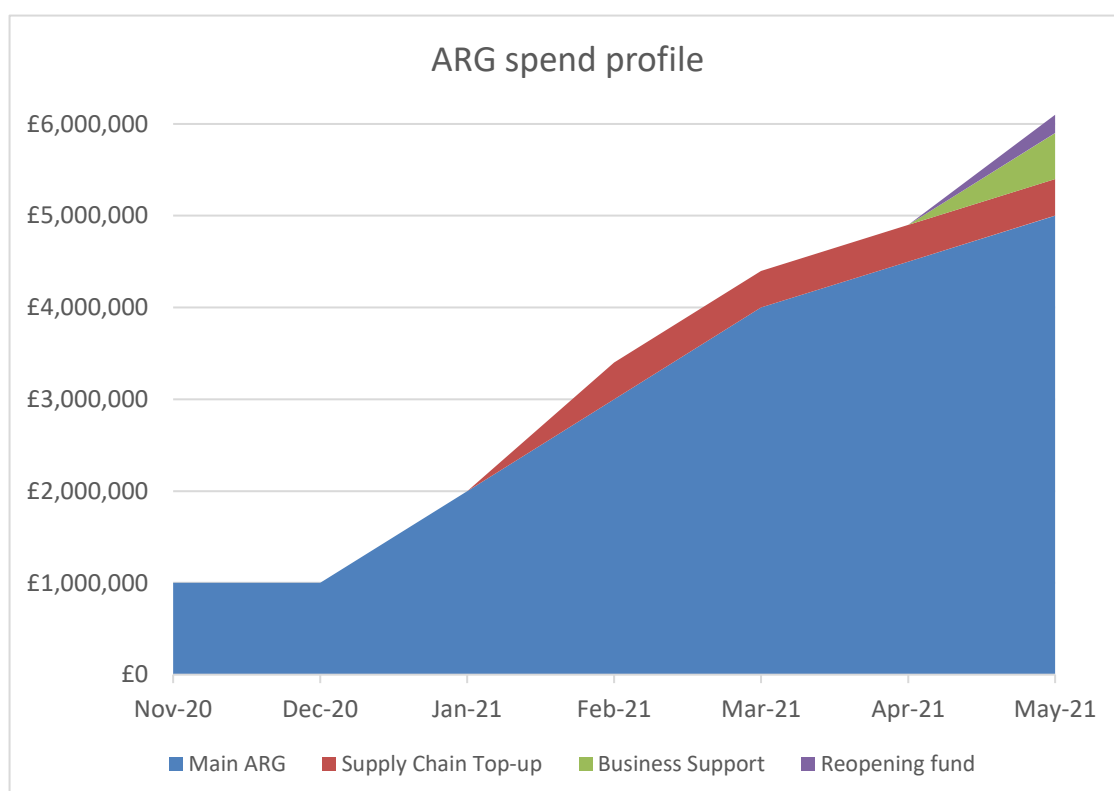
Overall budget

23. An additional £1.87m has been made available for ARG, bringing the York total to £6.08m.

24. In the November 2020 paper, we allocated £500k to a business support scheme and a further £200k to fund future activity aimed to accelerate economic activity during the next reopening. These aspects will still be important as we seek to build back better.
25. On the basis of the estimates set out above, there is sufficient funding in the ARG allocation to provide for up to 4 months of national lockdowns, plus 2 months of Tier 3 as follows:

Item	Costs	Overall
National Lockdown	4 months @ £1m	£4m
Tier 3	2 months @ £500k	£1m
Additional top-up payments	One off	£400k
Business support scheme	One off	£500k
Reopening events campaign	One off	£200k
Total Cost		£6.1m

26. The funding is thus sufficient to last until the end of March in full lockdown, with a further 2 months in Tier 3. The spend is profiled thus:



27. Should the current lockdown extend beyond the end of March, or further lockdowns be needed in the future, the current ARG allocation would not be sufficient and we would need further

Government support to be provided. There is a small amount of leeway provided in the business support and reopening elements of the funding.

28. In the event of a more rapid conclusion of the pandemic, unallocated elements of ARG could be used to provide additional amounts to existing recipients, the sector scope of grants could be reconsidered and potentially extended, or further relevant programmes could be developed to provide direct support to businesses impacted by the Covid restrictions.
29. Further updates will be brought to future decisions sessions of the Executive Member for Finance and Performance.

Consultation

30. In developing these proposals, Officers have consulted with the Federation of Small Businesses, Institute of Directors, York BID, Make it York, York Chamber of Commerce, and the University of York. Further consultation will be undertaken as the scheme develops, but to date all consultation has been positive and we have outline support from all of these organisations for the scheme as presented in this paper.

Implications

Financial

31. There are no direct financial implications arising from this scheme as it is funded entirely from the Government Additional Resources Grant.

Human Resources (HR)

There are no HR implications.

Equalities

This report will impact on all communities equally.

Legal

The Additional Restrictions Grant is provided under Section 31 of the Local Government Act 2003.

Crime and Disorder, Information Technology and Property

No implications

Risk Management

21. The key risk associated with this paper is that there is not enough money in both the core and discretionary schemes to provide the level of financial support required by affected businesses in the city during the ongoing covid-19 pandemic.

Author responsible for the report:

Chief Officer responsible for the report:

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Head of Economic Growth

Interim Director of Place

**Report
Approved**

Date

15th January 2020

Specialist Implications Officer(s):

Wards Affected: *List wards or tick box to indicate all*

All

For further information please contact the author of the report

Background Papers: None

Annexes

none