

**Executive Member for Finance & Performance
in conjunction with Executive Member for
Economy and Strategic Planning**

12th November 2020

Report of the Interim Director of Place

Lockdown and Tier 3 – Additional Restrictions Grant (ARG)

Summary

1. Further to the paper presented on 5th November 2020 on the Local Restriction Grants (LRG) for Tier 2, Sector and Lockdown to support York businesses, this paper provides recommendations on how the Additional Restrictions Grant (ARG) discretionary fund, provided as part of the Government's covid-19 support, can be used.
2. Allocation of the ARG is a key decision, as the total budget is £4,212,360, and cannot be made at an Executive Member Decision Session. Taking the decision as an urgent item at the next meeting of the Executive on 24th November 2020 would delay distribution of the funding by at least two weeks, putting additional strain on the businesses we are seeking to help and risking additional business failures and job losses. We are therefore recommending that the decision is made under emergency powers, but are taking this report to a public decision session to allow comment and for the sake of transparency.

Recommendations

3. The Executive Member is asked to recommend that the Chief Operating Officer make an emergency decision to:
 - Implement a discretionary grants scheme providing support to the businesses outlined and at the levels indicated in paragraphs 19 and 20 to run until March 2022.
 - Instruct the Head of Economic Growth to develop more detailed proposals for a business support voucher scheme

for consideration at a subsequent Executive Member Decision Session

- Allocate a preliminary budget of £200k to fund future reopening events
 - Keep the allocations under review as the pandemic progresses, bring update reports back to Executive Member Decision Sessions should the budget need to be adapted.
4. 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.

Background

5. The Government announced on 21st October that they were providing additional funding to allow local authorities to support businesses in Tier 2 areas which are not legally closed, but which are severely impacted by the restrictions on movement, including discretionary funding for businesses not attracting the main grants.
6. The Government made a further announcement on 31st of October confirming that the country would be going into a nationwide lockdown from 5th November until 2nd December. As a result further support would be provided for Local Authorities to support businesses in the local economy and to provide additional support to that provided under the Local Restrictions Support Grant.
7. This funding is termed the Additional Restrictions Grant, and guidance for Local Authorities was published by Government in early November 2020. This is attached at Annex A.
8. City of York Council put considerable efforts into distributing both mandatory and discretionary grants earlier in 2020, and in logging cases where businesses were not able to claim support. Through our own Micro Grant schemes, we have also gathered important intelligence on York businesses, including those which operate through a self-employment model, which can be applied in designing our approach to the Additional Restrictions Grant.

Additional Restrictions Grant Government Guidance

9. 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 has been allocated £4,212,360 of ARG as a one-off payment to cover the current lockdown, any future national lockdown, and any period when York might be subject to local Tier 3 restrictions before the end of financial year 2021/22.
10. The funding is for business support activities, with the expectation that this will primarily take the form of discretionary grants. Any direct grants will attract the same conditions as the Local Restrictions Support Grant (Closed) and will be subject to State Aid declarations and limits.
11. It is for Local Authorities to determine both how much funding to provide to businesses from the ARG funding, and exactly which businesses to target. However, Government has encouraged Local Authorities to develop discretionary schemes to help:
 - businesses which – while not legally forced to close - are nonetheless severely impacted by the restrictions, such as businesses which supply retail, hospitality and leisure sectors or businesses in the events sector
 - businesses outside of the business rates system which are effectively forced to close.
12. Government has also stated that Local Authorities could use ARG funding to provide additional support to larger businesses on top of the funding provided via the LRSG(Closed) scheme, with due reference to State Aid.

York businesses in scope for ARG direct grants

13. Following the principles set out in the Government Guidance, a range of businesses might be eligible for a York discretionary grant scheme. For the avoidance of doubt, we mean by “businesses” those organisations that are formally constituted as companies, partnerships and charities, together with sole-traders and the self-employed.
14. Given that the ARG allocation for York is a fixed amount to cover a period of up to 18 months during which there may be several

national and local lockdowns, it is crucial that our local scheme is established in a manner which:

- Is able to provide for several incidences of national and local restrictions;
- Provides support to as many local businesses as are eligible;
- Can flexibly respond to changing circumstances;
- Benefits the local economy;
- Has the broad support of York’s business communities.

15. Government guidance for the current national lockdown and for local Tiers 2 and 3 has identified a range of businesses which are legally required to close, or who have restrictions on their ability to open. The table below summarises, showing those that must close as red, those that have restrictions in amber, and those that are unrestricted in green.

	Lockdown	Tier 3	Tier 2
Non-essential retail	Red	Green	Green
Hospitality venues	Red	Amber	Amber
Accommodation	Red	Red	Amber
Leisure and sports facilities	Red	Red	Amber
Entertainment venues	Red	Red	Amber
Personal care facilities	Red	Green	Green
Personal care provided in other peoples’ homes	Red	Green	Green
Community centres and halls	Red	Green	Green
Places of worship	Red	Green	Green

16. For the red and amber boxes, all businesses in those sectors that are part of the rates system will attract LRSG(Closed) payments linked to the rateable value of their premises. Businesses outside of the rates system – not trading from rated premises, or who are not directly the rate payer for their premises – would be within scope for ARG.

17. On the basis of applications received earlier this year to our Micro Grants scheme, we estimate that approximately 750 such businesses are trading in York. This includes market traders,

personal services providers such as hairdressers and beauty therapists, leisure and sports businesses, and providers of holiday accommodation outside of the rates system. In Tier 3, this would reduce to approximately 125 businesses in scope as fewer sectors are compelled to close.

18. For businesses that predominantly supply their goods and services to those shown in red above, the Government's Inter Departmental Business Register shows there to be approximately 250 businesses in scope in York. Some are wholesalers to non-essential retail, while others are the greengrocers, fishmongers, butchers, commercial laundries, cleaning contractors and others who provide services to hospitality and accommodation providers. A further related sector is companies who work with venues and hospitality providers to arrange events – these too can be thought of as suppliers.
19. For businesses in the sectors forced to close but outside the scope of LRSG(Closed), we propose a tiered approach as follows:
 - For those with fixed commercial premises costs – rent payable to a landlord – a payment of £1,334 per 28-day qualifying restriction period (base level of LRSG(Closed) payments)
 - For those without fixed premises costs, a payment of £500 per 28-day qualifying restriction period.
20. For businesses for whom at least 75% of the value of their normal trade is with businesses forced to close in the Lockdown, we propose adopting the same tiered payments as for LRSG(Closed) for those occupying hereditaments appearing on the local rating list. Any suppliers that are eligible but outside of the rates system would be paid as outlined in para 19. For those in rated premises, that would result in payments of:
 - For properties with a rateable value of £15k or under, grants to be £1,334 per month, or £667 per two weeks;
 - For properties with a rateable value of between £15k-£51k grants to be £2,000 per month, or £1,000 per two weeks;
 - For properties with a rateable value of £51k or over grants to be £3,000 per month, or £1,500 per two weeks.

21. We estimate that the total cost of such a scheme would be in the order of £750k - £1m per 28 day period. It is only possible to know what the exact costs would be by running the scheme, however it is clear that a scheme at the level outlined would be capable of being run more than once. If our estimate is correct, there would be scope to provide ARG grants on at least 3 occasions to enable grants to be awarded for a future imposition of restrictions until March 2022, the full period covered by the ARG.
22. Applications would be sought from eligible York-based businesses. That is to say, businesses which have premises in York or where the business is run by a York resident and trade is at least 75% in York, with a maximum of one grant per business. The closing date for applications would be 2nd December 2020, and all eligible claims would be being paid, subject to the total being within the overall budget of £4.2m. If more claims are made than can be paid, allocation would be on the basis of time and date of application, with the earliest applications being paid.

Other forms of support

23. Beyond providing direct grants to businesses, we are committed to providing additional support in the form of advice and specialist input. It is proposed to establish this through a voucher scheme which would entitle businesses to some help in thinking through the key issues that they face in emerging from the pandemic, and then some resource to begin implementing those changes. It is proposed to earmark £500k of funding for such support, with the aim of helping many of those businesses that have had grants to get further practical support which will be more forward looking in its nature.
24. The detail of such a scheme requires further design work, however our key business networks – FSB, IoD, Chamber, BID and Make it York are all supportive both of the principles of such a scheme and also in terms of offering practical support to enable it to happen.
25. As discussed above, it is also possible to use ASG funding to provide less direct support such as events and promotion to animate our centres and attract customers back to businesses that have been closed. Such funding would be for use beyond the current Autumn/Winter events campaign, and would be reconsidered later in the financial year. The budget for indirect spend would be limited to £200k.

Overall budget

26. On the basis of the estimates set out above, there is sufficient funding in the ARG allocation to provide for up to 3 months of national lockdowns, plus 4 months of Tier 3 as follows:

Item	Costs	Overall
National Lockdown	3 months @ £1m	£3m
Tier 3	4 months @ £125k	£500k
Business support scheme	One off	£500k
Reopening events campaign	One off	£200k
Total Cost		£4.2m

Consultation

27. 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, York Food Festival, 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

28. 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:

Simon Brereton

Tracey Carter

Head of Economic Growth

Interim Director of Place

**Report
Approved**

Date

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

Annex A : Additional Restrictions Grant; Guidance for Local Authorities (BEIS Nov 2020)