

**Name of meeting:** Cabinet  
**Date:** 26<sup>th</sup> November 2020  
**Title of report:** COVID-19 Additional Restrictions Grant Fund

**Purpose of report:**

This report seeks approval for the Council to establish an Additional Restrictions Grant fund for Kirklees. The grant scheme will provide support for certain types of small and micro businesses that have been affected by the Coronavirus but that are ineligible for the other grant schemes that have been established by the Government in response to the national lockdown which commenced on 5<sup>th</sup> November.

<b>Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?</b>	Yes
<b>Key Decision - Is it in the Council's Forward Plan (key decisions and private reports)?</b>	<b>Key Decision - Yes</b>  The Chair of Overview and Scrutiny Management Committee has agreed to the addition of this item to the Agenda for Cabinet having not been previously included on the Forward Plan.  <b>Private Report/Private Appendix - No</b>
<b>The Decision - Is it eligible for call in by Scrutiny?</b>	No. The Chair of Overview and Scrutiny Management Committee has waived the right to Call In period on this matter due to urgency of implementation.  It has been requested that a report be submitted to a future meeting of Economy and Neighbourhoods Scrutiny Panel setting out the detail of the scheme and the availability of grant funding.
<b>Date signed off by Strategic Director &amp; name</b>  <b>Is it also signed off by the Service Director for Finance?</b>  <b>Is it also signed off by the Service Director for Legal Governance and Commissioning?</b>	<b>David Shepherd – 18 November 2020</b>  <b>Eamonn Croston – 18 November 2020</b>  <b>Julie Muscroft – 18 November 2020</b>
<b>Cabinet member <u>portfolio</u></b>	<b>Councillor Graham Turner – Portfolio Holder for Corporate Strategy and Asset Strategy</b>

**Electoral wards affected:** All wards

**Ward councillors consulted:** Ward councillors have not been consulted as a result of the need to establish the scheme as soon as possible.

**Public or private:** Public.

**Has GDPR been considered?** Yes.

## 1. Summary

- 1.1 The Government has established a programme of financial support for businesses affected by the second national lockdown which commenced on 5<sup>th</sup> November 2020. The Local Restrictions Support Grant (Closed), (Open) and (Sector) schemes have now been opened for applications. The remaining scheme - the Additional Restrictions Grant Fund – aims to address gaps in the other grant programmes and will operate on a discretionary basis with local eligibility criteria to be agreed by the Council, within the framework of guidance set by Government.
- 1.2 £8,795,740 has been allocated for businesses in Kirklees. This report seeks Cabinet approval to establish the scheme, including the eligibility criteria for applicants and the grant amounts to be awarded.

## 2. Information required to take a decision

### Background

#### *Context*

- 2.1 On 5<sup>th</sup> November 2020 a second national lockdown commenced in England. The lockdown will be in operation until at least 2<sup>nd</sup> December and, alongside additional public health measures, required closure of a wide range of businesses and other venues including:

- non-essential retail, with the exception of food retailers, off licenses, pharmacies, newsagents, hardware stores, petrol stations, banks/building societies, post offices and laundrettes/dry cleaners
- hospitality venues including pubs, bars, cafes etc. are required to close for consumption on the premises but can continue to provide a takeaway service and/or on a pre-ordered basis via click and collect or drive through; canteens in hospitals and a limited range of other settings can remain open
- personal care facilities and close contact services including hairdressers, beauty salons, tattoo parlours etc.
- holiday accommodation including hotels, bed and breakfast, self-catering apartments, campsites and other settings
- nightclubs, bingo halls, casinos, amusement arcades, cinemas, theatres and other entertainment venues, leisure centres and other sports/fitness facilities.

- 2.2 Full details of the closures are set out here: <https://www.gov.uk/government/publications/further-businesses-and-premises-to-close/closing-certain-businesses-and-venues-in-england>

#### *Local Restrictions Support Grant programme*

- 2.3 The Government has announced a package of grant support to cover businesses required to close or otherwise severely impacted by the national lockdown. The following schemes will be administered by the Council on behalf of the Government on the basis of nationally-mandated eligibility criteria:

- *Local Restrictions Support Grant (LRSG) (Closed)* – this will apply to all businesses mandated to close by Government and that are registered to pay business rates; grant awards will cover each 28 day period that restrictions are in place and are linked to rateable value (RV), ranging from £1,334 per 28 days for businesses with an RV of £15,000 and under to £3,000 per 28 days for those with an RV of £51,000 and over; Government has allocated £7,166,628 to cover this and the LRSG (Sector) scheme (see overleaf) to 2<sup>nd</sup> December;

- *LRSO (Sector)* – this grant scheme is specifically to cover nightclubs and sexual entertainment venues that Government required to close in March and have never re-opened; the grant will cover the period from 1<sup>st</sup>-4<sup>th</sup> November 2020 only, at which point eligible businesses will be included within the LRSO (Closed) scheme;
- *LRSO (Open)* – this scheme will cover the period that Kirklees was subject to Local Covid Alert ‘High’ restrictions (e.g. the 10pm curfew for the hospitality sector, restrictions on meeting other households in indoor settings and the ‘rule of six’) and is backdated to 5 August. The scheme will provide grants to hospitality, accommodation and leisure businesses who have been significantly impacted by these restrictions but not forced to close prior to 5<sup>th</sup> November, with awards ranging from £934 per 28 days for businesses with an RV of £15,000 or less to £2,100 per 28 days for those with an RV of £51,000 or above; non-rate paying businesses affected in this way will also be eligible to apply but will be required to supply additional evidence of occupation; Government has made £3,970,260 available to the Council to operate the LRSO (Open) Fund.

2.4 The funding allocations have been made based on estimates of eligible businesses provided by the Valuation Office Agency. All three grant schemes were launched by the Council on 17<sup>th</sup> November.

#### *Additional Restrictions Grant*

2.5 The Additional Restrictions Grant (ARG) is the final grant scheme in the package of Government support and aims to complement the other grants by addressing any gaps in support. Government has given Councils the discretion to agree the detailed eligibility criteria and priority sectors for support within the context of broad guidance on the scheme.

2.6 Government guidance notes that:

*“Local Authorities can determine how much funding to provide to businesses from the ARG funding provided, and exactly which businesses to target.*

*However, we encourage Local Authorities to develop discretionary grant schemes to help 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. This could include – for example – businesses which supply the retail, hospitality, and leisure sectors, or businesses in the events sector.*

*Local Authorities may also choose to help businesses outside the business rates system, which are effectively forced to close – for example market traders.*

*Finally, Local Authorities could use ARG funding to provide additional support to larger local businesses which are important to the local economy, on top of the funding provided to those businesses via the LRSO (Closed) scheme, with due reference to State Aid.”*

2.7 In taking decisions about the amount of grant awards, guidance notes that local authorities may wish to take into account *“the level of fixed costs faced by the business in question, the number of employees, whether they are unable to trade online and the consequent scale of coronavirus losses.”*

2.8 Guidance states that both businesses that are ratepayers, and those that are outside the business rates system, may receive support under the scheme. Businesses that are in administration, insolvent or subject to a striking off notice are not eligible for support, or those that have already received grant payments which equal the maximum levels of permitted State Aid.

#### *Kirklees Additional Restrictions Grant scheme – proposed operating model and eligibility criteria*

2.9 The ARG scheme will need to operate flexibly in response to the changing national picture in relation to COVID-19 restrictions. As yet it remains unclear whether the national lockdown will be extended beyond 2 December and, if not, how the system of Local COVID Alert restrictions will be operated. As such it is very likely that the ARG scheme, when launched in early December, will continue to operate in tandem with either the LRSO (Closed) or LRSO (Open) schemes.

- 2.10 In this context ensuring that there is parity/fairness (in terms of the amount and frequency of grant awards) between applicants for the LRSO schemes and the ARG will be important. On this basis it is proposed that the ARG scheme will initially operate on the basis of monthly grant payments to eligible businesses, to mirror the LRSO (Closed) and LRSO (Open) grants, with the initial awards covering the period of 28 days from 5<sup>th</sup> November in line with the other schemes. The principle of monthly payments will be reviewed in January 2021 in relation to the COVID-19 restrictions in place and against the amount of grant defrayed, to ensure ongoing affordability.
- 2.11 Ensuring fairness between business rate payers and non-rate paying businesses is also a key principle that will underpin the Kirklees scheme. Awards under the LRSO (Closed) and (Open) grant schemes are made on the basis of the RV of the business and to ensure parity for non-rate payers it is proposed that awards will be determined through securing evidence of fixed business costs on an equivalent basis (where fixed costs can include rent, business insurance etc. but excluding salaries) – so a business demonstrating fixed costs of £15,000 would receive a grant on the same basis as a rate-paying business with an RV of £15,000.
- 2.12 Building on these principles and within the framework of Government guidance, Council officers have been working with the other West Yorkshire local authorities and WYCA/LEP colleagues to agree a common approach to the ARG scheme. It is proposed that the Kirklees ARG scheme is based on the agreed framework, with the following groups of businesses prioritised for support:
- businesses or voluntary/community organisations that have been legally required to close, but are not in the business rates system – e.g. where the businesses' landlord is the business rate payer
  - businesses or voluntary/community organisations that have not been required to close but have been negatively impacted by restrictions affecting the retail, hospitality and leisure (RHL) sectors, for example manufacturing or other businesses that are part of the RHL supply chain or events businesses
  - self-employed businesses not able to access other Government support, including the Self Employment Income Support Scheme
  - provision of 'top up' funding for larger businesses or voluntary/community organisations that have been forced to close or are severely impacted by restrictions that can evidence a significant reduction in income.
- 2.13 Dealing with the first of these priorities – non-rate paying businesses required to close as a result of the lockdown – it is proposed that the initial grant awards for the period from 5<sup>th</sup> November-2<sup>nd</sup> December will operate on the same basis as the LRSO (Closed) grant scheme – e.g. with grant awards ranging from £1,334 per 28 days for businesses with fixed costs of £15,000 and under to £3,000 per 28 days for those with fixed costs of £51,000 and over.
- 2.14 Beyond 2<sup>nd</sup> December, eligibility for the scheme will be dependent on whether the national lockdown is extended for a further period – in which case grant awards would remain at the level set out in the preceding paragraph – or returns to Local COVID Alert Level 2 or 3. In the event of the latter, eligibility for non-essential retail and other sectors able to re-open will be removed.
- 2.15 Turning to the second priority – businesses severely impacted by restrictions affecting the retail/hospitality/leisure sectors but not required to close – it is proposed that applicants will be required to evidence that they supply a significant proportion of their products or services into those sectors and demonstrate loss of income as a result of COVID-19. Awards will be made at between £934 and £2,100 per month dependent on the level of RV/fixed costs demonstrated).
- 2.16 It is acknowledged that there are some self-employed or freelance workers, including those that have become self-employed after April 2019, who have been unable to access the Government's Self Employment Income Support Scheme. This group will also be prioritised for support through the ARG scheme, with awards of up to £1,000 based on evidence of fixed business costs. The duration of this support is to be agreed. Applicants should be registered for VAT or income tax self-assessment.

- 2.17 It will be important to ensure there is sufficient flexibility to incorporate provision of 'top up' payments for strategically important businesses within the overall funding envelope for the scheme, although it is proposed that this element of the scheme is held in abeyance until January 2021 to determine priorities for this strand. To qualify for additional support, businesses are likely to be in a key economic sector (e.g. manufacturing, digital and creative or independent retail/hospitality); have witnessed a substantial loss in turnover but also demonstrate long-term potential for growth/investment and delivery of wider social value benefits (e.g. Apprenticeships, local recruitment or other outcomes).
- 2.18 The grant scheme will be launched as soon as possible, subject to Cabinet approval. Detailed local guidance will be published and applications will be accepted via an online form available on the Council website. Applicants will be expected to provide information including:
- Companies House and/or Charity Commission registration
  - HMRC/PAYE information
  - Business rates account details, if relevant
  - signed lease/licence agreements
  - bank statements and supplier invoices
  - certified accounts/management accounts
  - other information that may be required to establish evidence of ongoing fixed business costs and loss of income due to COVID-19.

### **Options**

- 2.19 The Council could have chosen to make the grant scheme open to a wider range of businesses or with eligibility criteria that are not in accordance with Government guidance. This would generate potential reputational risks for the Council as demand for the grant scheme would be substantially greater than the funding available from Government. Failure to comply with Government guidance would place the Council at risk of financial clawback in the event that the Council awarded funding to ineligible businesses, with related reputational risk.
- 2.20 The proposals will ensure that those businesses in the four priority areas identified in the report, in accord with Government guidance and including strategically important businesses, will gain access to financial support as soon as possible through a locally administered grant scheme. In the event that there are unallocated funds or additional resource is made available by Government, the Council will consider widening the range of organisations that can apply.

### **Costs**

- 2.21 The Government has allocated £8,795,740 for the ARG in Kirklees. This is just under 8% of the funding allocated to the Council in early April 2020 to support the Small Business and Retail, Hospitality and Leisure Grant funds.
- 2.22 Council officers will manage the scheme to ensure that only eligible businesses/charities apply and that appropriate evidence is provided by applicants. The operation of the scheme will be subject to regular review by the Council's Section 151 Officer.
- 2.23 The Council will undertake proportionate pre-payment checks to confirm eligibility in relation to the criteria set out in this report. The Council will also undertake appropriate pre-and post-payment checks to manage the risk of fraud. Any funding issued by the Council will be subject to clawback, alongside any grants paid in error.

### **Expected impact/outcome/benefits**

- 2.24 The outcomes/benefits of the proposals will include reducing the financial impact on businesses of the lockdown and related impacts of COVID-19. It is acknowledged that there have been some gaps in the provision of financial support, including some self-employed residents and non-rate paying businesses. Implementing this scheme will ensure that businesses can meet their ongoing fixed business costs, strengthen their resilience and be well placed to support the economic recovery.

## **Risks**

2.25 There are a number of risks associated with the scheme, including:

- applicants may seek grant support for ineligible activity
- need/demand may strip the funding available
- reputational risks for the Council in relation to the amount of support available or the sectors eligible for grant funding.

2.26 These risks will be managed and mitigated through the operation of the grant scheme. Council Officers will put in place appropriate mechanisms, to ensure that only eligible activities are funded and suitable evidence of expenditure is provided. The scheme will be open for applications for a defined period to be agreed. It is considered that the positive reputational benefits of providing access to financial support for the affected businesses and charities who are to be targeted by the scheme outweigh the negative reputational impacts of the proposals.

## **3. Implications for the Council**

### **Working with people**

3.1 The proposals will support the Council's efforts to work together with people and communities to find shared solutions. The Council has drawn on learning from the implementation of the various Government grant support schemes and this will inform delivery of the ARG. The operation of the scheme will be kept under regular review in response to business feedback.

### **Working with Partners**

3.2 The proposed package of support has been developed by the Government in response to feedback from business organisations and other groups. The Council will work with local partners including WYCA/Leeds City Region LEP, the Mid Yorkshire Chamber of Commerce and Industry and the Federation of Small Businesses in order to publicise the scheme and target eligible applicants.

### **Place Based Working**

3.3 The scheme will support those businesses and charities that have been unable to secure grant support to date, including those in some of the area's most deprived communities. Ward Councillors will be fully engaged in the process to encourage eligible businesses and charities to apply for support.

### **Climate Change and Air Quality**

3.4 The grant scheme will support those businesses/charities with ongoing costs that have been most affected by COVID-19. There is some evidence to suggest that the changes in behaviour brought about by the lockdown have reversed the decline in air quality and improved emissions during this period. Whilst the implementation of the ARG scheme is unlikely to have a significant impact on climate change, the Council will ensure that the climate emergency and opportunities for low carbon growth are central to the recovery planning process.

### **Other (legal/financial/human resources)**

3.5 Financial matters are addressed in section 2 of the report.

3.6 The scheme will be operated in accord with State Aid guidance. It is anticipated that most applicants will be awarded aid based on the De Minimis rules although it is possible that some awards will be granted under the UK COVID-19 Temporary Framework. The Council will write to all successful applicants advising them of the State Aid compliance route that has been applied and requiring them to certify their eligibility for aid as a condition of receipt of the grant.

- 3.7 The proposed grant scheme will be administered by existing Council Officers. To ensure the scheme can be implemented quickly, significant officer capacity has been re-purposed to support delivery of the scheme.
- 3.8 An Integrated Impact Assessment (IIA) has not been undertaken for the proposals as a result of the short timeframe for implementing the scheme in response to COVID-19 pandemic. An IIA will be undertaken during the first three months of implementation.
- 3.9 The Council will be required to provide regular reports to BEIS on the implementation of the grant scheme.

#### **4. Consultees and their opinions**

- 4.1 Engagement with stakeholders including BEIS, Mid Yorkshire Chamber of Commerce and Industry, Federation of Small Businesses and other groups will continue as the scheme is implemented and it will be shaped in response.

#### **5. Next steps and timelines**

- 5.1 Subject to approval, the Additional Restrictions Grant scheme will be launched as soon as practicable following the Cabinet meeting on 26 November. The Council will work with key local partners to publicise the scheme and target eligible applicants.
- 5.2 The Council will publish detailed scheme guidance and application forms on its website as soon as the scheme is launched. The Council will put in place a streamlined process to ensure the rapid turnaround of applications for support.
- 5.3 The Council will keep the operation of the scheme under review, including the period during which it will be open for applications.

#### **6. Officer recommendations and reasons**

1. Cabinet notes the content of this report and approves the establishment of the Additional Restrictions Grant, including the proposed eligibility criteria for applicants and the grant amounts to be awarded set out in section 2 of the report.
2. Cabinet agrees to receive a further update report considering the implementation of the Government's business grant schemes that have been in operation during the lockdown.
3. Cabinet delegates authority for implementation and monitoring of the Local Authority Discretionary Grant Fund scheme to the Strategic Director Growth and Regeneration and the Service Director Finance, including the authority to make further changes to the scheme to ensure equity and achievement of the objectives noted above.
4. Cabinet delegates authority to the Strategic Director Economy and Infrastructure and the Service Director (Finance), in consultation with the Portfolio Holder for Corporate, to vary the eligibility criteria for the Additional Restrictions Grant scheme.

#### **Reasons**

1. To enable Cabinet to approve the ARG fund for Kirklees to extend financial support available to those businesses and charities that are ineligible for other Government COVID-19 grant programmes as soon as practicable.
2. To ensure the grant schemes are being implemented in a coordinated manner.
3. To enable rapid and efficient implementation of the grant scheme in accordance with the scheme of delegations.
4. To enable the identification and implementation of additional measures, where required, to complement the approved grant scheme, in accordance with the scheme of delegations.

**7. Cabinet Portfolio Holder's recommendations**

The Cabinet Portfolio Holder supports the recommendations, which have been developed as a matter of urgency at the request of Cabinet in order to ensure local businesses and charities can access the grant programme as soon as practicable.

**8. Contact officer**

Chris Duffill, Head of Business and Skills [chris.duffill@kirklees.gov.uk](mailto:chris.duffill@kirklees.gov.uk) 01484 221000.

**9. Background Papers and History of Decisions**

Additional Restrictions Grant guidance -

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/935130/additional-restrictions-grant.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/935130/additional-restrictions-grant.pdf)

**10. Service Director responsible**

Angela Blake, Service Director Economy and Skills  
Eamonn Croston, Service Director Finance.