

Report to: **Cabinet**



Date of Meeting 5th May 2021

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Additional Restrictions Grant

Report summary:

Options for ARG Spend before June 30th 2021

The purpose of this report is to provide an update on the April 15th Department for Business, Energy and Industrial Strategy (BEIS) guidance and FAQ's relevant to EDDC's Additional Restrictions Grant (ARG) delivery and our eligibility to secure additional ARG top up funding. Specifically this report;

- Provides an update on ARG spend
- Presents the relevant aspects of updated BEIS guidance for Local Authorities administering the ARG which impact our planned spend
- Highlights the current position with regard to our existing £1m commitment of ARG to the AIR Fund
- Sets out 6 updated options for the deployment of the remaining ARG funds through to the 30th June
- Puts forward a preferred way forward based on consideration by the ARG Panel

Is the proposed decision in accordance with:

Budget Yes No

Policy Framework Yes No

Recommendation:

That Cabinet;

- 1) Consider the implications of the updated April 15th BEIS guidance on the existing Cabinet commitment of £1m of ARG funds towards our AIR Fund
- 2) Review the options for the deployment of ARG funds to try and meet the deadline for spend of our existing ARG funds before the 30th June 2021
- 3) Endorse moving forward with Options C, E and F in line with the advice of the ARG Panel
- 4) Endorse the proposed policy for ARG3 as set out in Appendix A
- 5) Agree that, if we are successful in completing spend by the 30th June, that the £1.14m of ARG top up funds will be dedicated to the AIR Fund

Reason for recommendation:

To maximise delivery of Additional Restrictions Grant funding to businesses and organisations across East Devon.

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Portfolio(s) (check which apply):

- Climate Action and Emergencies
- Coast, Country and Environment
- Council and Corporate Co-ordination
- Culture, Tourism, Leisure and Sport
- Democracy and Transparency
- Economy and Assets
- Finance
- Strategic Planning
- Sustainable Homes and Communities

Equalities impact Low Impact

If choosing High or Medium level outline the equality considerations here, which should include any particular adverse impact on people with protected characteristics and actions to mitigate these. Link to an equalities impact assessment form using the [equalities form template](#).

Climate change Low Impact

Risk: Medium Risk; The report set out the implications arising from updated national guidance for the deployment of ARG funds. This principally concerns the need to defray funds before the 30th June in order to qualify for a further top up payment. The report puts forward a preferred way forward for how this can be achieved but it will require considerable effort to implement and to meet the associated deadline. Subsequently there is a risk that the top funds are not secured. Regular progress reports can be given to the ARG Panel.

Links to background information

[Supporting Economic Recovery](#) Agenda item 13 report to Cabinet 3rd Feb 2021;
[Business Support Grant Measures](#) Agenda item 7 report to Cabinet 20th Jan 2021;
[Covid-19 Economic Response and Recovery – Resources](#) Agenda item 17 report to Cabinet 25th Nov 2020

Link to [Council Plan](#):

Priorities (check which apply)

- Outstanding Place and Environment
 - Outstanding Homes and Communities
 - Outstanding Economic Growth, Productivity, and Prosperity
 - Outstanding Council and Council Services
-

Report in full

1. Background and Context

1.1 On the 31st October 2020, the Government announced the introduction of additional support to be administered by Local Authorities under national and Local Covid Alert Level 3

restrictions. This support took the form of a one-off lump sum payment called the Additional Restrictions Grant (ARG) to be used before 31st March 2022.

1.2 The Council was initially awarded a sum of £2,925,680. A further payment of £1,299,448 was made in recognition of the third period of national restrictions, making a total £4,225,128.

1.3 Government guidance highlighted the ARG awards must a) be used to support businesses through any future periods of national restrictions to March 2022; b) that wider business support could be funded through ARG; and c) that discretionary grant schemes could be offered to support businesses that have had their trade affected by periods of national restrictions. This included businesses required to close that don't pay business rates (so can't claim LRSG); and businesses that have not been required to close, but are still severely impacted.

1.4 Each local authority was given the discretion to establish business grant schemes or other wider business support as best fits their area. A discretionary grants policy was approved to guide the deployment of the funds which included establishing eligibility criteria, local priorities and grant payment levels.

1.5 At its meeting on 25th November 2020, Cabinet considered a report on the deployment of the ARG funds. This meeting resolved to divide the initial ARG award as follows:

- £1m towards a discretionary grant scheme to be deployed in line with an agreed policy (ARG1 was subsequently delivered covering the November nat. restrictions, followed by ARG2 and ARG2.1 covering the period from Jan 5th to March 31st)
- £925,680 to be held in reserve (This was subsequently approved by Cabinet for use in funding ARG2 and ARG2.1 applications (See report [Business Support Grant Measures](#))).
- £1m towards strategic economic recovery projects and priorities. This took the form of a grant scheme to support business adaptation, resilience and innovation ([AIR Fund prospectus](#) developed and consulted on – planned launch in May 2021)

1.6 The allocation of £1m ARG funding to support the deployment of the AIR Fund was endorsed again by Cabinet in February 2021. See Agenda Item 13: [Supporting Economic Recovery](#) report.

2 ARG: Overall Financial Position

2.1 We have experienced a strong demand in terms of ARG applications and businesses awareness has been helped by active marketing which encourages eligible businesses to apply. The most recent ARG application window closed at 4pm on Friday 23rd April.

2.2 As of the 26th April, EDDC have spent £2,507,346 on 1,343 ARG grant payments to 539 applicant businesses.

| ARG financial overview | |
|--------------------------------|--|
| ARG1 (paid) | £134,950 |
| ARG2, top up and ARG2.1 (paid) | £2,372,396 (as at 26.04.21 - increases daily) |
| The Total ARG paid out | £2,507,346 (as at 26.04.21 - increases daily) |
| Remaining Funds | |

| | |
|--|---|
| (this is our £4,225,128 current total ARG funding allocation <u>minus</u> the £2,507,346 paid to date) | £1,717,782 (as at 29.04.21 we have 76 applications yet to be assessed. Payment of these could reduce the figure by a further c.£400,000). |
|--|---|

2.3 Of the £1,717,782 remaining, £1m is currently committed to the Adaptation, Innovation and Resilience (AIR) Fund matched by £1m from the Council's Business Rate Pilot reserve.

2.4 Once the outstanding ARG2/2.1 applications are approved, this would leave an ARG residual of c.£300,000 to deliver a further grant tranche 'ARG3 - Discretionary Restart Grants', to support those business not eligible to receive grant funding via the main business rates and sector linked Restart Grant scheme.

3 Updated BEIS Guidance – Accessing Further ARG

3.1 At a webinar on the 9th March BEIS signalled that it would only be those local authorities that have fully spent their current ARG award in full that would be eligible for a share of the additional £425m nationally that was announced as part of the March Budget.

3.2 This new requirement conflicts with previous BEIS guidance and the approach adopted by Cabinet in November 2020 whereby £1m of ARG funding was allocated (in full accordance with previous guidance) to help support economic recovery through the proposed AIR Fund.

3.3 The AIR Fund is intended to support and sustain economic recovery throughout 2021, ensuring full spend of the existing ARG commitment ahead of the previous March 2022 deadline. The dedication of funds from the Business Rate Pilot reserve also enables support to be provided beyond this date.

3.4 On the 17th March BEIS set out a significant change in that Local Authorities now have until 30th June 2021 to meet all necessary conditions and prove that they have spent or made a validated attempt to spend 100% of their first two ARG allocations combined or no further ARG top up would be awarded.

3.5 On the 22nd March, updated guidance on the ARG was published and further FAQs followed on the 31st March but to the frustration of Local Authority teams, these provided no further clarity on "necessary conditions" or what is meant by a 'validated attempt' to spend 100% of our ARG funds.

3.6 We did, however, learn that EDDC's provisional further ARG top up amount would be £1,144,070 *if* we are able to satisfy the "necessary conditions" and "validated attempt to spend criteria" which, by our ARG Panel meeting on the 14th April, still had not been published.

3.7 It wasn't until the 15th April, 2 weeks after BEIS pledged to update the ARG guidance for LAs that this was [finally published](#) alongside updated FAQs.

3.8 These new conditions set out that:

- For the purposes of the ARG scheme, 'spend' would be defined as all funding being defrayed or where there has been a validated attempt to defray the funding (allowing for bounce-backs or technical errors in completing the payments)

- Funding being allocated but where there is no contract to provide business support after 30 June 2021 would not be considered a 'validated attempt'
- Likewise, transferring funds to a different cost code or a third-party account, where no contract has already been signed to provide a service (prior to the circulation of the guidance on 15 April 2021), such as for business support activity, would not be considered spend or a validated attempt
- For spend to be considered as a validated attempt, the payment of all remaining ARG funds must be either complete, or in the financial system (meaning the processing of the payment is underway) before the 30th June 2021

3.9 Just before announcing the transfer of responsibility for Covid-19 business grants, the Co-Director of the Cities and Local Growth Unit noted that BEIS did acknowledge that this new guidance and deadline for spend would present 'a challenge' to Local Authorities who have worked hard to develop wider business support programmes that now needed 'reviewing'.

3.10 The main implications arising from the updated guidance are considered to be twofold;

- BEIS would no longer consider EDDC's £1m commitment of ARG funds to the Adaptation, Innovation and Resilience Fund to be "validated" spend.
- for EDDC to access £1.14m of further ARG top up funding, we now need to spend all of our remaining ARG funding (£1.7m with our existing £1m AIR Fund commitment factored back in) within the next 8 weeks.

4 Options for the Deployment of Remaining ARG Funds prior to June 30th 2021

4.1 A range of potential options to meet the revised spend requirement embodied in the updated guidance were considered at the ARG Panel meeting on the 26th April. These are set out below.

A. Continue with the current ARG spend programme

- Under this scenario, we would continue processing ARG2 applications alongside the development of the ARG3 tranche (Discretionary Restart Grants) to be launched in late May 2021 (see Option C).
- This would see an overall ARG grant spend of c.£2.8m on ARG1, ARG2 and ARG2.1 and the residual c.£1.3m would be spent on ARG3 discretionary restart grants; further ARG funded Special Case requests and in delivering the AIR Fund grant programme as planned.
- This is the approach that, with continued effort, our current staff resource has been working to achieve as our £1m AIR Fund commitment remains consistent with BEIS guidance unless we aim to try and secure the top up ARG funding.
- No ARG top up of £1.14m would be achieved if we were to continue pursuing this scenario as it is unlikely full spend of existing ARG would be achieved before the 30th June 2021.

B. Distribute all ARG residual to existing ARG recipients

- This option would see us complete all ARG2/2.1 application assessments and relevant payments before dividing what we then have left in ARG by the total number of existing ARG beneficiaries. We could then send access codes for them to access a further grant.
- To date, we've 539 existing businesses supported by ARG. If these were each to receive an equal share of what we estimate will be a post-ARG2/2.1 residual of c.£1.3m, they would each receive a further grant of c.£2,400.
- This would be £1,000 more than any previous ARG grant for the majority of businesses and unrelated to experienced losses, fixed business costs and the short period of time between April 1st and April 12th that the minority of ARG beneficiaries will have had to remain closed as a result of national restrictions.
- Though attractive in its simplicity, this option is a significant departure from the evidence based approach taken to date across all of our discretionary grant programmes. It would also preclude delivery of any ARG3 Discretionary Restart Grants and further Special Case Grant awards.

C. Launch ARG3 Discretionary Restart Grants as a priority alongside an increased number of targeted Special Case Grants Awards

- Achievable with existing partnership working between Economic Development, Business Rates and Customer Services.
- ARG3 Grants would be based on 30-70% of the existing mandatory Restart Grant funding bands.
- Not possible to accurately forecast uptake but would be widely promoted to relevant sectors and the relevant supply chains.
- Could be run alongside maximising our deployment of targeted Special Case applications from businesses with evidenced loss of trade and for whom we are assured the grant would strengthen recovery.

Details of how we would propose to deliver this further ARG tranche are set out in Appendix A at the end of this report: Policy Proposal - Additional Restrictions Grants Round 3 (ARG3 Discretionary Restart Grants).

D. Launch our AIR Fund with immediate effect and invite grant submissions

- This would require significant officer time marketing the early launch of the programme; addressing enquiries around eligibility and requests for dedicated officer support; assessing rushed, incomplete and flawed applications needing significant work to meet minimum requirements.

- Given the ARG spend deadline, there would be pressure to approve funding to projects that haven't been fully worked up and may lack feasibility. This would reduce the resultant impact of the AIR Fund in securing local economic recovery and adaptation.
- Impossible to impose conditions on funding retrospectively (required targets, outputs and milestones) once funding has been approved prematurely so we can meet the June 30th deadline.
- Resource constraints within team if launched alongside ARG3, Special Cases, Levelling-Up Fund and Community Renewal Fund submissions, Reopening High Streets Safely Fund, Welcome Back fund etc.
- Unlikely to secure a sufficient number of fundable projects and collaborative proposals to enable full spend of the ARG residual prior to June 30th.
- Recommend we launch AIR Fund in July to be able to focus on more effective methods of meeting the ARG spend deadline.

E. Special Case Grant awards to support a number of non-commercial organisations and partnerships committed to promoting local economic recovery, adaptation, higher value employment and support to local enterprise

- We have the option of offering ARG funded financial support to organisations such as our Growth Hub, Exeter Science Park, Future Skills Centre, Visit South Devon, Princes Trust, Social Enterprises and Community Transport Groups. All of these are at EDDC's discretion, but must be based on local economic needs.
- DCC have pre-existing contracts with Cosmic, Dartington School for Social Entrepreneurs, Learn Devon and Made in Devon. They may be an opportunity to boost these in terms of the provision of extra targeted supported (such as in promoting digital skills) in District.
- Such contributions could help boost the role of the new Future Skills Centre (former Flybe Training Academy) with Exeter College or expand the number of East Devon businesses able to be supported by the Growth Hub.

F. Recovery packages for heavily impacted sectors: Leisure, Aviation and Culture

- We have the opportunity to offer recovery packages to sit alongside the Restart grants for retail, but targeted at other heavily impacted sectors such as culture, aviation and leisure who, with support, can help strengthen our wider economy.
- Special Case grant awards to individual businesses within these sectors could be provided, such as to those within the aviation supply chain, Leisure East Devon and sports/leisure clubs more generally or organisations in the creative industries to help support their recovery and to fund workforce skills development.
- Time allowing, we would examine the potential to augment existing national support packages already targeted at these sectors.

Preferred way forward

4.2 Following consideration of these options by the ARG Panel it is a specific recommendation of this report that a preferred approach combining Options C, E and F is pursued. Furthermore it is recommended that the proposed policy approach for ARG3 as set out in Appendix A is endorsed.

5 Conclusion

5.1 The Additional Restrictions Grant continues to be an essential source of financial support for businesses and organisations that have been heavily impacted by the periods of restrictions. The commitment of £1m towards the AIR Fund was a strategic and effective measure to support economic recovery that was consistent with the government guidance at the time. This guidance has now changed, bringing the £1m back into the ARG remaining funds and subject to the 30th June deadline if we decide to try to access further ARG top up funding.

5.3 This report sets out a number of updated options for the deployment of our remaining ARG to try and meet this spend deadline. A preferred way forward which combines options C,E and F is put forward based on the advice of the ARG Panel.

5.4 Whatever option or combined approach is decided on, we ask that Cabinet agree that, if we are successful in completing spend of all remaining ARG funds ahead of the 30th June, that the £1.14m top up funds unlocked will be reallocated to the recovery focussed AIR Fund such that this strategic initiative can be delivered as previously endorsed by Cabinet.

Financial implications:

The financial details are contained in the report and relate to the allocation and spend of Government Grant to assist businesses in the district. The Council is changing its previously agreed strategy in terms of the best use of this funding in order to comply with recent Government changes to enable the Council to secure an additional £1.14m funding for the district. As the S151 Officer I have emailed BEIS as to the risk that local authorities may under this change, where all existing funds need to be spent by 30th June to receive further funding, there is a risk that public funds will not be used in the most efficient manner and additional funding should just be distributed based on spending plans. Having said that the proposed grant allocation/spend detailed in this report have been considered in detail and steered by the Member Panel to deliver efficient use of this funding whilst attracting the additional allocation. The report highlights the risk that unless the full existing allocation is spent by 30th June then none of £1.14m will be received. This comment is based on the most up to date guidance.

Legal implications:

What is proposed is permissible from a legal standpoint and the discretionary policy is in line with the relevant Government guidance. It is for Members to decide whether they are content with the approach advocated. There are no other implications requiring comment.

Appendix A: Policy Proposal: Additional Restrictions Grants Round 3 (ARG3 Discretionary Restart Grants)

Background

In the latest Budget, the Chancellor announced an additional £5b for Restart Grants, to replace the LRSG schemes for rated and closed businesses. An additional £425m top-up to the ARG scheme was also announced, of which East Devon could receive £1,144,070.

Having spent £2.5m of our £4.2m ARG, East Devon currently has a remainder of around £1.7m which will need to be spent by the end of June 2021 in order to unlock this additional £1.1m ARG top-up.

This ARG3 policy has been developed to support businesses through the final period of national restrictions and those ineligible for the Restart grant whilst significantly reducing our ARG remainder. Delivered alongside further Special Case grant awards, this will help East Devon to unlock the £1.1m top-up ARG allocation which, with member approval, can then be used for the upcoming AIR Fund scheme.

Proposed approach

The Economic Development team, in consultation with the Business Rates team, have explored various options for ARG3. There was a shared desire to keep the scheme as closely aligned to the main Restart Grant scheme as possible, but factoring in the necessity to spend our existing ARG allocation by the end of June 2021.

Our proposal is that the ARG3 scheme align more closely with the reopening dates for each sector compared to the non-discretionary Restart Grant scheme. This means paying a lower amount to personal care and accommodation businesses (able to open April 12th) compared to hospitality and leisure (unable to open before May 17th). A new category, 'driving and transport', has been included for taxi drivers and driving instructors, who do not neatly fit into any of the pre-existing categories.

Businesses in the 'preferential' sectors will receive a grant equalling 70% of Restart Grant amounts if they are rated and 30% if they are non-rated. Businesses in the 'other' sectors will receive a 2-week payment equalling a third of the 6-week payments they received for ARG2 and ARG2.1.

The table below outlines exactly what each type of applicant would receive for both the non-discretionary Restart Grants and discretionary ARG3 scheme.

| Non-discretionary: Restart Grants (rated businesses) | | | |
|---|--|--|--------------------------------------|
| Sector | Affected Ratepayer - RV £0 - £15k | Affected Ratepayer - RV £15k - £51k | Affected Ratepayer - RV £51k+ |
| Non-essential retail | £2,667 | £4,000 | £6,000 |
| Personal care | £8,000 | £12,000 | £18,000 |
| Hospitality | £8,000 | £12,000 | £18,000 |
| Leisure | £8,000 | £12,000 | £18,000 |
| Accommodation | £8,000 | £12,000 | £18,000 |
| Gyms & sport | £8,000 | £12,000 | £18,000 |

| Discretionary: ARG3 (non-rated, supply chain and severely impacted businesses) | | | | |
|---|---|--------------------------------------|---------------------------------------|------------------------------------|
| Sector | Affected or Closed Non-Ratepayer | Affected Ratepayer RV £0-£15k | Affected Ratepayer RV £15-£51k | Affected Ratepayer RV £51k+ |
| Non-essential retail | £1,067 | £1,867 | £2,800 | £4,200 |
| Personal care | £1,067 | £1,867 | £2,800 | £4,200 |
| Accommodation | £1,067 | £1,867 | £2,800 | £4,200 |
| Driving & transport | £1,067 | £1,867 | £2,800 | £4,200 |
| Hospitality | £3,200 | £5,600 | £8,400 | £12,600 |
| Leisure | £3,200 | £5,600 | £8,400 | £12,600 |
| Gyms & sport | £3,200 | £5,600 | £8,400 | £12,600 |
| Other | £467 | £467 | £700 | £1,050 |

Those who supply a particular sector, rather than provide good/services direct to the end user, will receive the same amounts as above and will be asked to select the sector which represents the majority of their trade.

As this will be the first discretionary scheme to include sectoral bandings, we cannot say at this stage what the cost of the scheme will be. The bandings in the table above may alter if the total projected cost either exceeds our current ARG remainder (unlikely) or comes to a total significantly below our current ARG remainder.

Applications

To streamline the application process, all previous ARG recipients will be sent access code letters enabling them to avoid submitting a new application in full. Similar to ARG2, the access codes will present applicants with a pre-filled application form based on their previous answers.

Additional questions will be asked in the streamlined application form, asking applicants which sector they fall under to ascertain which grant band they are eligible for. Those in the preferential sectors will be asked to supply evidence that they trade within or supply the sector they have selected. Officers will conduct a manual review of this evidence prior to awarding the grant to ensure that applicants have not selected an inaccurate sector to receive a higher grant amount. Those in the 'other' category will simply receive an automated payment without the need for manual checks.

Those businesses which have not applied for ARG before will be able to submit a new application in full without an access code. This will apply to businesses which were previously eligible for the LRSG schemes but are not eligible for the Restart Grants; coach tour operators for example. New applications will also be invited from freelance and mobile businesses, event industry suppliers, wholesalers and English language schools, ensuring the most recent Gov. Guidance is met ([See point 27](#)).

Next steps

If Cabinet approve this ARG3 Policy approach, Strata will be instructed to develop the online application form. Subject to their development timeframe, we expect this scheme to be launched towards the end of May 2021.

Reporting to our Discretionary Grants Panel will continue as with ARG1 and ARG2/2.1, along with any relevant Special Case grant award applications until full spend of the existing ARG funds has been achieved.