

## **Committee: Cabinet**

### **Date:**

Wards: All

### **Subject: Additional Restrictions Grants**

Lead officer: Caroline Holland, Director of Corporate Services

Lead member: Councillor Tobin Byers, Cabinet Member for Finance

Contact officer: David Keppler, Head of Revenues and Benefits

### **Recommendations:**

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1. For Cabinet to review and agree the Additional Restrictions Grant Policy for Phase three
  2. For Cabinet to agree that stream three of Phase three is delegated to the Cabinet Members for Finance, Performance, Recovery and the Local Economy and the Director of Corporate Services to determine the distribution to businesses
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## **1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1. To update Cabinet on phase two of the Discretionary Additional Restrictions Grant scheme.
- 1.2. For Cabinet to identify if any changes to the phase three policy are required.
- 1.3. For Cabinet to agree to delegate stream three of Phase three to the Cabinet Members for Finance, Performance, Recovery and the Local Economy and the Director of Corporate Services to determine the distribution to businesses

## **2 DETAILS**

- 2.1. On the 22 October 2020 the government announced additional funding to businesses under restrictions in Local Covid Alert Level High (LCAL2) and Very High (LCAL3).
- 2.2. National restrictions were announced on 31 October 2020 to come into force from 5 November 2020. From this date the Local Restrictions Support Grants (Closed) Addendum 5 November to 2 December scheme was introduced for businesses.
- 2.3. When the national restrictions were announced the Government announced further support for businesses. The scheme is the Additional Restrictions Grant (discretionary scheme) and can be used across financial years 2020/21 and 2021/22.
- 2.4. Merton was allocated funding of £4,130,960 for this discretionary scheme.

- 2.5. On 7 December 2020 Cabinet agreed phase one of the discretionary scheme. The scheme targeted businesses that pay business rates and had received no support and also businesses run from home that employ staff.
- 2.6. Phase one of the scheme was allocated £2 million to be awarded in grants. As at the 31 May 2021 £1,100,000 had been paid to 58 businesses.
- 2.7. In early January 2021, when further national restrictions were announced, the Government allocated the Council a further £1,834,777 funding for the discretionary scheme. This took the total funding to £5,965,737.
- 2.8. On 22 March 2021 Cabinet agreed phase two of the scheme. This consisted of two streams, the first stream was an allocation of up to £1,000,000 to Future Merton for wider business support measures. The second stream was for direct business support grants to micro and small businesses including businesses run from home.
- 2.9. In phase one £2,000,000 was allocated to direct business grants. Of this £1,100,000 was paid out. The remainder of this allocation and the additional funding was allocated to the phase two direct business support grants. A minimum of £3,865,737 was allocated to phase two direct business support grants.
- 2.10. Councillors felt that with the level of grants awarded they would likely have the biggest impact on micro and small businesses given the relative scale of losses. They felt these businesses would need the most support to recover from the Covid crisis. They also felt that they would likely have less reserves than medium and large businesses, and would find it harder to sustain the business without this support.
- 2.11. The direct business support grant scheme was a points based scheme with points awarded for accommodation costs, number of employees and a weighting for employees that are Merton residents. To qualify businesses had to demonstrate a 40% or greater loss of income for the period 1 April 20 to 31 March 21 compared to the same period for the previous year.
- 2.12. Once all applications were reviewed the value per point would be calculated based on the total number of points awarded for all successful applications and the £3,865,737 funding allocated to the scheme.
- 2.13. On 3 March 2021 the Government announced a further top up to local authorities of this discretionary fund. To qualify the Council has to have spent the full £5,965,737 funding for the discretionary schemes by the 30 June 2021.
- 2.14. The scheme was devised as above to ensure that all funding would be spent and the Council would be eligible for the additional funding.
- 2.15. The Director of Corporate Services was delegated authority to divert any unspent funding from Future Merton's £1,000,000 to the direct business support grant scheme to ensure all funding was spent by the deadline.
- 2.16. Merton will be eligible for a further £1,936,708 providing it spends all of the £5,965,737 funding.
- 2.17. [Update on phase two spend](#)
- 2.18. Future Merton have spent £55,200 on the following:

Purchase of £50,000 materials for building of ten park lets across the borough

Cost of Graphic Designer £5,200

2.19. As the allocated funding of £1 million was not spent the balance of £944,800 was clawed back and redistributed as part of the grants to businesses to ensure it was spent by the deadline

2.20. 275 applications were received for the discretionary grants and of these 138 met the criteria.

2.21. Where businesses had received previous grants from the Council or other Government grants, such as the Culture Recovery Fund, these would be taken into account as income during 2020/21.

2.22. In total the 138 businesses accumulated 1,582 points under the scheme and the level of funding available for the direct grants was £4,801,537. Once a small number of businesses had their grants capped at the level of loss it meant that each point was worth £3,058.

2.23. Businesses grants were capped at their total income loss between 2019/20 to 2020/21.

2.24. Some of examples of level of grants issued are detailed below:

Businesses run from home by individuals with no other accommodation costs received a grant of £9,175.

A business with 35 employees of which 11 are Merton residents and suffered a loss of income of £3.6 million received a grant of £183,508.

A business with 7 employees of which 5 are Merton residents and suffered a loss of income of £400,000 received a grant of £61,169.

2.25. Businesses have responded very positively to receiving their grants with numerous emails thanking the Council for the support. Two quotes received are as follows:

*“Let me take the opportunity to whole heartedly thank you and your panel for considering our application. By awarding this grant you have not only save this business but also save the livelihood of the current employees. Also this grant would help us to create at least another 20 to 30 new jobs in the local area. We are a labour intensive business and our objective to employ people from the local area. If there are any scheme or grants available in the future from the local Government please keep us posted. Once again thank you very much” - Abul Muazzam, Crystal Everest Linen*

*“You have thrown us a lifeline and we are so so grateful. We will continue to struggle until the borders open for international travel, but this will certainly help us keep going until that happens, and we hope remain in business in the longer term.” - Jane Dancaster, Managing Director of Wimbledon School of English*

2.26. In total 138 business were supported, these businesses employed 814 staff of which 262 were Merton residents. The total loss of income evidenced by these businesses totalled £72.6 million

- 2.27. The level of grants paid equated to 6.6% of the reduction of income for the qualifying businesses.
- 2.28. The scheme was administered successfully and Merton allocated and paid all of the £5,965,737 by the deadline.
- 2.29. Evidence of 100% spend has been provided to BEIS and we await confirmation that Merton has qualified for the further funding of £1,936,708. An update will be provided at the meeting. This allocation must be spent by 31 March 2022
- 2.30. Phase three scheme
- 2.31. Phase three will be made up of three streams.
- 2.32. Stream one will be an allocation of £600,000 to Future Merton to continue to implement wider business support packages, which includes contributions to cover works which were started under Phase 2 but not completed by 18 June 2021.
- 2.33. Stream two will be a reopening of direct business grants for micro and small businesses that did not apply during phase two. We received reports from a small number of businesses that missed the application window. We also acknowledge that the initial period for submitting grants was at the same time as businesses were beginning to reopen in early April.
- 2.34. Businesses that received a grant under phase two will not be eligible and will not receive another grant.
- 2.35. The criteria will be exactly the same as Phase Two. It is felt that support to micro and small businesses who have suffered during the pandemic may make the most difference to them being able to continue trading. The weighting of support to those companies who employ Merton residents also helps limit the impact on Merton and its partners and strategic agencies if they are able to remain in employment. The value per point will be 'capped at' the value in phase two i.e. £3,058. Again grants will be capped at the loss of income the business had.
- 2.36. The balance of the funding will be allocated to stream two. If the total value of grants to be paid based on the value per point of £3,058 exceeds the allocated funding then the value per point will be reduced proportionately.
- 2.37. It is proposed to have an application window from 27 July 2021 for 21 days for phase two of the scheme.
- 2.38. It is estimated that grant payments will commence in mid-September 2021. All applications will have to be reviewed before any payments are made.
- 2.39. The discretionary policy for Additional Restrictions Grant Phase Three is detailed in Appendix 1
- 2.40. For all grant schemes the Government expects the Council to undertake pre and post payment validation. Validation measures will be implemented prior to payment and the Fraud service will be engaged to assist with post payment assurance.
- 2.41. The Government also requires Council's to collate and report data for all businesses receiving grants. Performance returns are required.

- 2.42. Stream three will be another direct business grant scheme and will use any funding over from stream two detailed above. This will be devised and agreed by the Cabinet Members for Finance, Performance, Recovery and the Local Economy and the Director of Corporate Services under delegated powers. This scheme will be devised after stream two has been fully administered and concluded.
- 2.43. At this stage its difficult to estimate the value of this scheme as it depends on take up on stream two. The funding could increase depending on the outcomes of stream one's spend by Future Merton.
- 2.44. The Council will undertake a communication strategy to reach businesses in the borough to encourage applications. This will include using the Chamber of Commerce and BIDS to reach businesses.
- 2.45. The Revenues and Benefits team will review all applications for stream two. A decision making panel will sit and agree applications. The Director of Corporate Services will make final decisions on grants.
- 2.46. The Policy allows for the Director of Corporate Services to agree to divert the funding allocated to the Wider Business Support into the direct grants fund if it is proving difficult to spend within the existing timeframe or if the Government set any new timeframe on spend..

### **3 ALTERNATIVE OPTIONS**

- 3.1. The Council could look to implement different local priorities for the policy.
- 3.2. The Council could choose to not distribute the additional funding.
- 3.3. Any unspent funding as at 31 March 2022 will need to be returned

### **4 CONSULTATION UNDERTAKEN OR PROPOSED**

- 4.1. .

### **5 TIMETABLE**

- 5.1. Estimated time frame for implementation of schemes

<b>Task</b>	<b>Time frame</b>
Policy agreed Cabinet	12 July 2021
Call in period ends	19 July 2021
Communications with businesses	19 July 2021
Application window for stream Two opens	27 July 2021
Application window for stream Two closes	16 August 2021
Payments to commence – estimated	15 September 2021
Review of funding available for stream Three	20 September 2021

### **6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

- 6.1. The Council initially received £4,130,960 Additional Restrictions Grant funding. A further £1,834,777 funding for the discretionary scheme. This took the total funding to £5,965,737.
- 6.2. To qualify for the additional £1,936,708 the previous funding had to be spent by 30 June 2021. The additional money has to be spent by 31 March 2022 and if not spent will need to be returned.
- 6.3. The Council's business rates system supplier have provided a solution to administer and award all grants. The cost of the new software is £17,500. The same software can be used for ARG 3
- 6.4. Staffing levels to administer the scheme will come from existing resources.
- 6.5. The Government have indicated that New Burdens funding will be provided to all Council's for the administration of the grants

## **7 LEGAL AND STATUTORY IMPLICATIONS**

- 7.1. The Council is able to make such grants under the general powers of competence set out in section 1 of the Localism Act, the enabling powers set out in section 111 of the Local Government Act 1972 and in line with Central Government Guidance with regards the Additional Restrictions Grants which has come about as a result of the Covid 19 Pandemic
- 7.2. The application and evaluation process need to be complied with in order to ensure that no claims of discrimination or inequality are made. The grants will be awarded in accordance with the application process and evaluation criteria, that will be fully disclosed and an audit trail of the decision making process retained. Successful applications will be awarded the grant on the terms and conditions set out in the policy.
- 7.3. The application process will take account of issues around state subsidy to ensure compliance.
- 7.4. Cabinet may by virtue of section 101 of the Local Government Act 1972, s.9J of the Local Government Act 2000 and the Scheme of Delegation at Part 3E of the Constitution, delegate authority to award this agreement.

## **8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**

- 8.1. An Equalities Analysis has been completed. (Appendix 2)
- 8.2. The web form that has been designed links automatically to the business rates system. This enables the payments of the grants to be automated. Therefore, the web form will not enable the capture of equalities data.

## **9 CRIME AND DISORDER IMPLICATIONS**

- 9.1. The Government expect pre-payment checking and have stated they will pursue and prosecute fraudulent awards.
- 9.2. The Government have provided an online tool to help with verification.

## **10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

- 10.1. Plans must be made to ensure the service is not overwhelmed by the number of applications received.

- 10.2. The Council will need to monitor and ensure that applications can be reviewed, financially vetted and decisions made within the timeframes indicated above.
- 10.3. Additional resource should be made available if required.

**11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT**

- Appendix 1 – Additional Restrictions Grant Policy Phase Three
- Appendix 2 – Equality Analysis

**12 BACKGROUND PAPERS**

- 12.1. Government Guidance and FAQ's

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