

**Covid 19 - Additional Restrictions Grant**

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|---------------------------------------|--|
| <b>Final Decision-Maker</b>           | Economic Regeneration and Leisure Committee                |
| <b>Lead Head of Service</b>           | John Foster, Head of Regeneration and Economic Development |
| <b>Lead Officer and Report Author</b> | Rachael Bennett, Economic Development Officer              |
| <b>Classification</b>                 | Public   |
| <b>Wards affected</b>                 | All  |

**Executive Summary**

After successful allocation of discretionary business grant funding (Additional Restrictions Grant) previously received from government a further £1,355,082 has been allocated to the Council to further support the borough's businesses.

This report looks at how to target and allocate this funding to businesses in line with government guidance, Maidstone Borough Council's Strategic Plan and draft Economic Development Strategy.

**Purpose of Report**

The report provides background and methodology to the proposed policy (attached as appendix one), which needs ERL approval to commence.

**This report makes the following recommendations to this Committee:**

That the proposed Additional Restrictions Grant Top Up Policy provided at appendix 1 is approved.

**Timetable**

| <b>Meeting</b>                              | <b>Date</b>       |
|---|-------------------|
| Economic Regeneration and Leisure Committee | 14 September 2021 |

# Covid 19 - Additional Restrictions Grant

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

| Issue                                 | Implications   | Sign-off                                    |
|---------------------------------------|--|---|
| <b>Impact on Corporate Priorities</b> | <p>The four Strategic Plan objectives are:</p> <ul style="list-style-type: none"> <li>• Embracing Growth and Enabling Infrastructure.</li> <li>• Safe, Clean and Green.</li> <li>• Homes and Communities.</li> <li>• A Thriving Place.</li> </ul> <p>The report considers these objectives and aligns with them.</p>   | Head of Regeneration & Economic Development |
| <b>Cross Cutting Objectives</b>       | <p>The four cross-cutting objectives are:</p> <ul style="list-style-type: none"> <li>• Heritage is Respected.</li> <li>• Health Inequalities are Addressed and Reduced.</li> <li>• Deprivation is reduced and Social Mobility is Improved.</li> <li>• Biodiversity and Environmental Sustainability is respected.</li> </ul> <p>The report considers these objectives and aligns with them.</p>            | Head of Regeneration & Economic Development |
| <b>Risk Management</b>                | See Section 5 of this report.  | Head of Regeneration & Economic Development |
| <b>Financial</b>                      | <p>Additional funding of £1,355,082 has been provided by government for the purpose of discretionary business grants with the funding to be spent by 31 March 2022.</p> <p>It has been confirmed that additional resource can be funded by the new burdens funding allocated by government to cover additional expenses incurred by the council in relation to the administration of the grant scheme.</p> | Section 151 Officer & Finance Team          |

|                                    |   |   |
|------------------------------------|---|---|
| <b>Staffing</b>                    | <p>Current staffing levels will not allow for the full proposed project to be undertaken. The new burdens funding referred to above will enable recruitment of 4 x 6-month FTC (or equivalent e.g., 2 x 12-month positions) this will give the necessary support to the team to enable the project to be managed effectively, achieving the goals of:</p> <ol style="list-style-type: none"> <li>1) Identifying eligible businesses of strategic importance to the borough in need of support</li> <li>2) Increasing business engagement with the council and awareness of the financial and non-financial support available</li> </ol> | Head of Regeneration & Economic Development                         |
| <b>Legal</b>                       | <p>Payment of grant by Government to a Local Authority is established under s31 of the Local Government Act 2003. This also enables control over the amount and manner of payments.</p> <p>Criteria are set out within Additional Restrictions Grant Guidance for Local Authorities updated 16/06/21.</p>   | Principal Solicitor Contentious and Corporate Governance            |
| <b>Privacy and Data Protection</b> | The data will be held and processed in accordance with the data protection principles contained in the Data Protection Act 2018.  | Policy and Information Team   |
| <b>Equalities</b>                  | No impact identified.   | Policy and Information Team   |
| <b>Public Health</b>               | No impact identified.   | Director of Mid Kent Services                                       |
| <b>Crime and Disorder</b>          | No impact identified.   | Head of Regeneration & Economic Development                         |
| <b>Procurement</b>                 | No impact identified.   | Head of Regeneration & Economic Development and Section 151 Officer |

|  |   |                                       |
|--|---|---------------------------------------|
| <b>Biodiversity &amp; Climate Change</b> | The implications of this report on biodiversity and climate change have been considered and it is noted that business development/growth may impact on increased energy consumption and increased emissions from additional transportation. Future business development should be aligned with the Kent and Medway Energy and Low Emissions Strategy and seek low carbon transportation options and alternative energy solutions. | Biodiversity & Climate Change Manager |
|--|---|---------------------------------------|

## 2. INTRODUCTION AND BACKGROUND

### 2.1 Awards, timescales and policy to date

2.1.1 Since March 2020, 9,910 awards have been made to businesses within the borough, a total of £54,653,245 in financial support being distributed.

2.1.2 88% was given to businesses occupying property registered for business rates through the Local Restrictions Support Grant (LRSB). The remaining 12% being distributed to businesses under a discretionary scheme, Additional Restrictions Grant (ARG).

2.1.3 ARG was opened for applications in line with government restrictions:

- March 2020 (Lockdown 1, also known as Discretionary grant).
- November 2020 (Lockdown 2).
- December 2020 (Tier 3 restrictions).
- December 2020 (Tier 4 restrictions & subsequent Lockdown 3).
- March 2021 (aligned with Restart awards).

2.1.4 ARG applications from November 2020 were assessed under one of the following categories:

- Businesses must be operating in the sector (retail, hospitality, or leisure) that has been legally required to close; occupy a commercial workspace within the borough and be unable to claim financial support through the LRSB as they are not the business ratepayer for the premises which they occupy.
- Businesses must receive their primary source of income (over 50%) through the supply of goods or services to the sector (retail, hospitality, or leisure), occupy a commercial workspace within the borough and are unable to claim financial support through the LRSB.
- Businesses that are essential retail, occupy commercial workspace within the Borough and whilst not legally required to close have decided to close and temporarily cease trading due to it not being possible to trade in a Covid secure way due to the nature of premises occupied.

- Businesses which are classified as either a small or micro business (less than 50 employees), that have seen a significant reduction in income and have been unable to claim support through either the Self-Employed Income Support Scheme or any other mandatory Business Grant Schemes provided by the Government and delivered by Maidstone Borough Council. For the avoidance of doubt, this includes limited companies working from home with no commercial property.

In the December 2020 (Tier 4) round an additional Category was included in the policy to capture larger businesses excluded from the first round of awards (March 20) because their rated value was excess of £51,000:

- Businesses in the sector (retail, hospitality, or leisure) that have been legally required to close; have a rateable value of exactly £51,000 or above and are in receipt of a Local Restrictions Support Grant.

In the March 2021 for Additional Restrictions Grant round 4, two additional categories were included in the policy in response to feedback to capture sectors that had thus far been ineligible for grants having remained open and providing flexibility to award larger grants:

- Hardship fund, businesses in any sector that have been able to remain open and can evidence a significant reduction in income and trade due to reduced footfall in our town centre and other retail destinations. Are registered for business rates and have been unable to claim support through the LRSG or RG.
- In exceptional circumstances authority is delegated to the Head of Economic Development and Regeneration, in consultation with the Director of Finance and Business Improvement to consider and make individual awards up to a value of £100,000 for:
  - Awards to businesses in difficulty that are of importance to the borough given their impact on the quantum and or quality of employment, or services to residents or the visitor economy.
  - Business support including activity to aid the reopening and recovery of the High Street.

#### 2.1.5 Promotion

Campaigns to drive awareness were undertaken – direct mainlining, outbound calling, radio, social media, engagement of third parties e.g., Kent and Medway Growth Hub and communications to our own database via newsletter.

### 2.1.6 Uptake

| Payment period                | Successful applications | Total awarded £  |
|-------------------------------|-------------------------|------------------|
| Discretionary (Mar - Sept 20) | 252                     | 1,425,250        |
| ARG 1 (Nov – Dec 20)          | 125                     | 155,630          |
| ARG 2 (Dec - Dec 20)          | 230                     | 250,314          |
| ARG 3 (Dec – Feb 21)          | 422                     | 1,739,643        |
| ARG 4 (Feb 21 final payment)  | 403                     | 2,817,272        |
| <b>TOTALS</b>                 | <b>1,432</b>            | <b>6,388,109</b> |

## 2.2 Future Spend

2.2.1 Following the full allocation of the Additional Restrictions Grant the Government awarded MBC a further £1,355,082 'top up' allocation to further support businesses in the borough.

2.2.2 Full Additional Restrictions Grant guidance for Local Authorities (updated 16 June 2021) is provided as a background document to this report. Key points on awards given:

- Must be direct support to businesses.
- Can be used for wider business support activities.
- Targeted businesses could include those not eligible for restart grant scheme, sectors that were unable to reopen prior to 19 July, Travel & Tourism, Wedding, Nightclubs, Theatres, Events, Wholesalers, English Language Schools, Breweries, Freelance & Mobile businesses.
- Awards should be issued; based on economic needs, fixed costs, employees, online, 'scale of Coronavirus losses.'
- Cannot be used as wage support mechanism, capital projects not providing direct business support or received by LA.

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## 3. AVAILABLE OPTIONS

### 3.1 Option One: Do nothing

If nothing is done the £1.3m that has been made available to further support businesses will be revoked by government 31<sup>st</sup> March 2022. To reject and not embrace utilising this money to benefit the borough's business and local economy is commercially and ethically inappropriate. For this reason, it is not recommended.

### 3.2 Option Two: Application process (repeat historic approach)

The application process approach that was previously implemented ensured an efficient allocation of funds to the business community in a time precious and sensitive environment. Although there is still a need to work at pace, the deadline for funds to be spent is March 2022. This means a more strategic than blanket approach can be adopted and gives the opportunity of reaching a wider audience.

In addition, the historic rounds have in the main had standardised awards based on business criteria and rent/rateable value without assessing individual need. Feedback from organisations such as Kent and Medway Growth Hub has suggested that larger businesses or businesses in critically affected areas need larger awards to achieve a worthwhile impact.

This approach is resource heavy in planning and preparation stage with assessments of businesses against the newly developed criteria and policy taking place before launch. As defined above, the current Economic Development team resource is at capacity and where this role was absorbed in the team before, that option is not available now so an alternative would have to be found. For the reasons of wanting to help those businesses who are still in dire need and resource, this option is not recommended.

### 3.3 Option Three: Targeted, proactive approach (preferred option)

Two main issues were identified from the approach of the previous rounds of grant awards:

- 1) The engagement with local businesses and subsequent awareness of schemes both financial and non-financial could be improved.
- 2) Fewer but higher awards would be more impactful for businesses that are still really struggling.

To address this, option three looks to proactively approach businesses to increase engagement and identify those that could benefit from the Additional Restrictions Grant top up fund under one of three criteria:

- 1) Diversification and Growth of Maidstone Based Businesses
- 2) Strategic Importance
- 3) Resilience

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## **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

After undertaking research, it has been concluded that a targeted approach of identifying and contacting businesses should be undertaken to achieve the most valuable outcome in the distribution of the top up grant for the borough. (Option 3).

### 4.1 Research and feedback examples captured in the policy

- Capacity has significantly impacted venues, an extreme example being a venue that needed more than 700 covers to achieve breakeven but was limited to 80 during restrictions.
- Exceptional circumstances – a business caught in lockdown whilst re-locating incurred costs for both sites, loss of orders, and delayed sales heavily impacting what is normally a healthy cashflow.

- Confidence – rather than investing in future growth initiatives, companies have low confidence so are operating on skeleton staff and holding reserves high in case of a third wave in winter 2021.
- Diversification – to survive pandemic effects some businesses have been forced to reassess business models and adapt to survive.
- Seasonal businesses are fearful of not being able to achieve reserves necessary - post 19 July restrictions being lifted before the season ends - to survive quieter winter months.
- Vacancy rate in Maidstone town centre has risen from 11% to 18%.
- Events and International travel remain affected post 19 July, furlough being reduced but still unable to open.
- Trends expected to settle mid-autumn which will highlight further intervention/support needs.
- Maidstone has highest furlough rate in Kent.

#### 4.2 MBC Strategic Goals and Economic Development Strategy outcomes

4.2.1 In considering the policy for the top up grant, alignment with MBC strategic goals and the Economic Development Strategy was considered, particularly:

- Maidstone a vibrant, prosperous, urban and rural community.
- ¼ of local employment/output & business base fall within sectors at high risk.
- 'Open for business' – start-ups and EU transition.
- Greener, more productive – innovation opportunities, accelerate business clusters.
- Rural – diversification, circular economy, develop tourist destinations, targeted campaigns.
- Inclusive growth – destination Maidstone Town Centre, Night-time economy, rejuvenation into leisure.

4.2.2 Policy areas confirmed need to be defensible, fair, equitable, and achievable. The following conclusions have been drawn comparing government guidance and alignment of potential top up grant spend vs MBC Strategic and Economic Development Strategy objectives:

- 1) Capacity as a criterion is too broad to award on.
- 2) Seasonal/Hospitality/Leisure is important to the borough's local economy.
- 3) High furlough rates could lead to high unemployment rates therefore continuing to encourage and support start-ups and entrepreneurial spirit is critical as the furlough scheme reduces and closes.
- 4) EU transition support is available through third parties and specialist in nature.
- 5) Green initiatives, such as build back better is not akin to the ethos of the Additional Restrictions Grant which stipulates in point 20 of the

guidance dated 16 June that the funding is for business support activities. Any business wanting to invest in their green credentials should be directed to LoCASE, an EU funded scheme with grants of up to £10k available.

- 6) Innovation opportunities & accelerating business clusters, International travel and the development of tourist destinations have been identified as mid/long term initiatives in the Economic Development strategy and therefore discounted as unachievable in the short-term timescale covered by the top up grant.
- 7) Diversification & circular economy alongside Inclusive growth – destination Maidstone Town Centre and rejuvenation into leisure are areas that the top up grant could be utilised to encourage.
- 8) Additional research needs to be undertaken to assess the value of the borough's night-time economy.

#### 4.3 Concluded project aims

- 1) Provide direct support to businesses to further establish Maidstone as the Business Capital of Kent by approaching them under a wider business support banner.
- 2) Identify focus areas to stimulate the local economy and encourage a circular economy.
- 3) Encourage business survival rates by supporting diversification and growth.

#### 4.4 Policy areas

| Policy Area  | Target Market   | Estimated spend |
|--|---|-----------------|
| Diversification & Growth of Maidstone based businesses | Businesses taking on ground floor premises within a town or rural centre as a start-up, part of a viable expansion plan or shift in business model in response to the coronavirus pandemic. | 300,000         |
| Strategic importance                                   | Event companies, Larger businesses/employers, specialist nature.  | 400,000         |
| Resilience Fund  | Hospitality & Leisure seasonal businesses.  | 600,000         |

The Top Up policy is attached as appendix one. It is proposed approximately 50 awards be made ranging in value across the three categories.

It is anticipated that most awards will be to businesses who have diversified from, for example, mobile catering units into premises and to new or growing businesses encouraged to take on a unit in the town centre or other commercial centres. The award made is suggested as being based on rateable value; £5,000 to businesses <£15k and £10,000 to >£15,001.

It is anticipated that the awards made to companies of strategic importance or under the resilience fund will be assessed individually considering losses, size of business, fixed costs, and employees in line with government guidance.

## 4.5 Proposed approach

### 4.5.1 Resource

To enable the project to be completed funding for four, six-month fixed term contracts (or equivalent), has been confirmed from the new burdens fund. This will allow the proactive diagnostic work to identify eligible businesses to be completed.

### 4.5.2 Approach

The four new members of staff will approach and engage businesses offering an insight into the wider business support programmes available (appendix three details a summary) and signpost accordingly. They will complete a diagnostic assessment and sign them up to receive future newsletters and social media updates.

If the business is believed to be eligible for the top up grant their diagnostic assessment will be reviewed internally. If deemed eligible the business will then be given top up grant information. If the business would like to accept and confirms they are eligible in line with government guidance, then the award will be paid.

A business with expansion plans that could potentially increase transportation and energy usage they will be advised and follow DEFRA guidance for small business. Impacts on biodiversity reduction due to additional land requirements for expansion/storage will also be addressed.

### 4.5.3 Rationale

- Approaching businesses proactively will engage new businesses.
- Awareness of support (financial & non-financial) will increase.
- Take up of support (financial & non-financial) will improve.
- Value of MBC 'support' leveraged.
- Database for future communications enhanced.
- Expectations of receiving additional funding managed correctly.
- Strategic approach to delivering the Top Up grant to achieve maximum impact from the available funding for the benefit of the local economy.

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## **5 RISK**

- 5.1 The risks associated with this proposal, including the risks if the Council does not act as recommended, have been considered in line with the Council's Risk Management Framework. We are satisfied that the risks associated are within the Council's risk appetite and will be managed as per the Policy.

## **6 CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

6.1 To help inform the policy various organisations and internal teams were contacted for feedback:

- Kent and Medway Growth Hub
  - One Maidstone
  - Let's Do Business Group (Contracted business support provider to MBC)
  - Licensing
  - Tourism
  - Biodiversity and Climate Change
  - Lockmeadow
  - A cross-section of local businesses
  - Chair of ERL feedback incorporated ahead of wider member briefing
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## **7 NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

7.1 ED officer to progress and complete the recruitment of the four additional posts.

7.2 ED Team to compile lists of businesses to be proactively contacted once additional resource in place.

7.3 Once in place, the four new roles will commence business engagement and assessment for award.

7.4 31 March 2022 All awards to be made & project close.

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## **8 REPORT APPENDICES**

*The following documents are to be published with this report and form part of the report:*

- *Appendix 1: Additional Restrictions Grant Top Up policy.*
  - *Appendix 2: Summary of available Business Support.*
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## 9 BACKGROUND PAPERS

- *Additional Restrictions Grant Government Guidance 16 June 2021.*

Government Guidance

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/994386/additional-restrictions-grant-la-guidance.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/994386/additional-restrictions-grant-la-guidance.pdf)

- *Maidstone Borough Council Strategic Plan*

[https://www.youtube.com/watch?v=lw42S\\_GmDWk](https://www.youtube.com/watch?v=lw42S_GmDWk)

- *Maidstone Borough Council Draft Economic Development Strategy*

See appendix 1 of Item 14 - Draft Economic Development Strategy within the agenda pack.

- *DEFRA guidance for small business*

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/69494/pb13310-ghg-small-business-guide.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/69494/pb13310-ghg-small-business-guide.pdf)