



Northumberland

County Council

CORPORATE SERVICES AND ECONOMIC GROWTH OVERVIEW AND SCRUTINY COMMITTEE

10 OCTOBER 2022

COVID GRANTS AND FINANCIAL SUPPORT TO BUSINESS – FINAL REPORT

Report of Jan Willis, Interim Executive Director of Finance and Section 151 Officer

Cabinet Member: Councillor Richard Wearmouth – Deputy Leader and Portfolio Holder for Corporate Services

Purpose of report

The purpose of this report is to provide a final, consolidated position to the Corporate Services and Economic Growth Overview and Scrutiny Committee on the delivery of the Covid Business Grants and Business Rate relief schemes delivered by the County Council from May 2020, to support the County's businesses during the Covid-19 pandemic and the associated restrictions.

Recommendation

It is recommended that the contents of the report are noted.

Link to Corporate Plan

The schemes and policies summarised in this report are relevant to the following elements of the 2021-24 Corporate Plan:

- 'How' - listening to and communicating with residents, businesses and partners and, ensuring value for money in our services. We work with our partners to secure maximum benefit for residents and businesses; and
- 'Thriving' - We will vigorously secure more and new investment and jobs into the county.

Key issues

1. In response to the unprecedented restrictions put in place to protect individuals and the NHS from the Covid-19 pandemic the Government provided grant and business rate relief support for businesses, particularly those most significantly impacted by restrictions. Local Authorities were tasked with the critical delivery role to rapidly provide much needed financial support to businesses.
2. The Covid Business Grants, first announced in the March 2020 Budget by the Chancellor, covered a number of periods over the following two years and were targeted in a variety of ways to best support the range of businesses feeling an impact on their operations and trading conditions.
3. In total the County Council paid out **£209,850,821.96** to local businesses between March 2020 and April 2022, via over **39,000 individual payments**.
4. In addition to Business Grants, the Government also introduced business rates relief schemes to assist businesses affected by the pandemic with their business rates liabilities. These reliefs were on top of any existing business rates relief schemes already in place and specifically for businesses identified as being affected by the pandemic. They included a business rates 'holiday' for retail, hospitality and leisure businesses and registered nurseries for 2020/21

Background

5. From summer 2020 to April 2022, to support businesses impacted by Covid-19 restrictions, Local Authorities delivered a series of grants: the Small Business Grants Fund (SBGF); Local Restrictions Support Grant (LRSF); Retail, Hospitality and Leisure Grants Fund (RHLGF); Restart Grant, the discretionary grants (Local Authority Discretionary Grants Fund (LADGF), followed by the Additional Restrictions Grant (ARG)), wet-led pubs grant, and Omicron Hospitality and Leisure Grant (OHLG).
6. Over the course of this period grant support has been targeted at small businesses, those in retail, hospitality and leisure, and, when tiered restrictions were introduced, those businesses mandated to close by Government and those which remained open, but which experienced significant impact on their trading as a result of restrictions. Many of the schemes were prescribed by Government with clear eligibility criteria and grant levels.

Discretionary Grants

7. In response to the first wave of grants in early summer 2020 Government responded to calls from Local Authorities, including Northumberland County

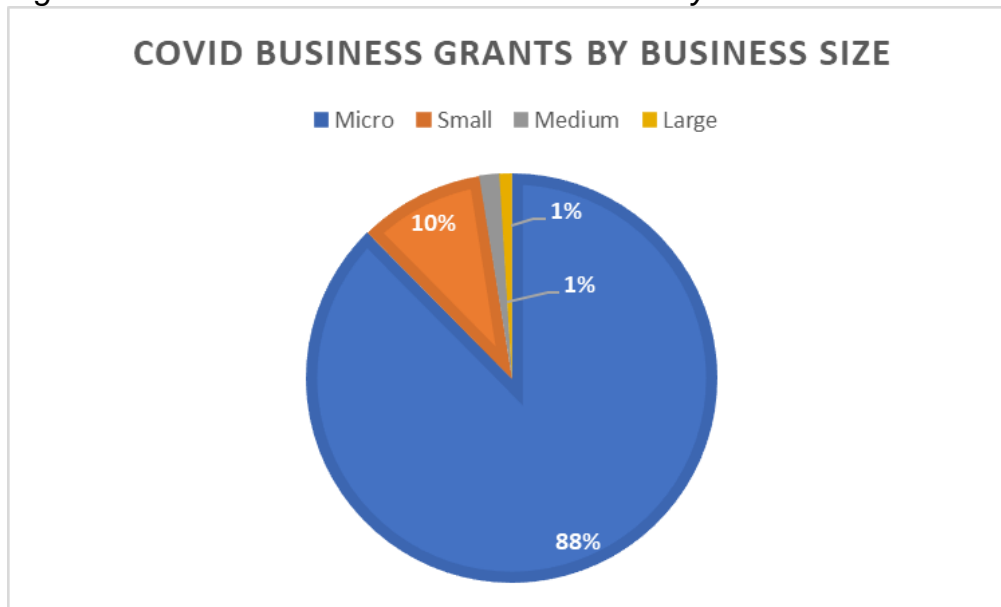
Council, and other stakeholders, to provide a discretionary grant to Councils. This discretionary grant, which was repeated in further waves of Covid business grants, allowed the County Council to target support at businesses which were severely impacted by Covid restrictions, but which may not otherwise have received financial support through the main Government prescribed schemes.

8. Regionally the seven North East Local Authorities (LA7) agreed a broad set of principles in which discretionary schemes were developed; this provided a degree of consistency across the area, e.g. supporting those businesses required to close but not on the business ratings list and extending support to some supply chain businesses. The principles also allowed local flexibility for Authorities to respond to specific pressures or features in their economy.
9. In Northumberland the discretionary grant enabled the Council to support impacted businesses not liable to pay business rates, suppliers of hospitality, accommodation or leisure, some home-based and mobile businesses, some of the County's most strategically important businesses, childcare settings and the wider business base, where impact from Covid restrictions could be demonstrated. Through discussions with business representative groups, direct feedback from business and from elected members the Council, where there was good evidence of impact, was able to adapt its response as the pandemic continued. Overall just under £16m of discretionary grant was paid to the County's businesses.

Grant Distribution

10. The vast majority of grants (87.7%) were paid out to micro businesses (businesses with 0-9 employees), with 9.9% paid out to small businesses (those with 10-49 employees), which reflects the make-up of the county's business base.

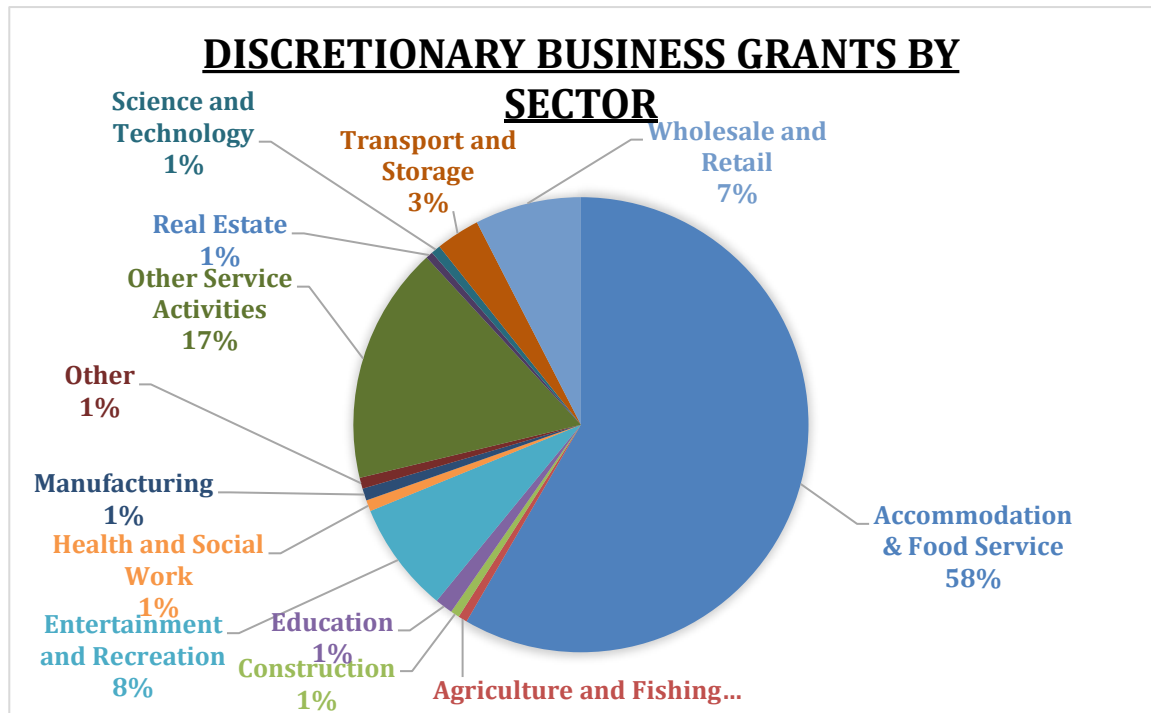
Figure 1. Distribution by business size



11. A number of grants were targeted at specific sectors; those facing the most significant impact from the Covid restrictions including hospitality, leisure and retail. With the discretionary grants there was also a focus on those businesses which faced impacts from restrictions; more than half of these grants went into

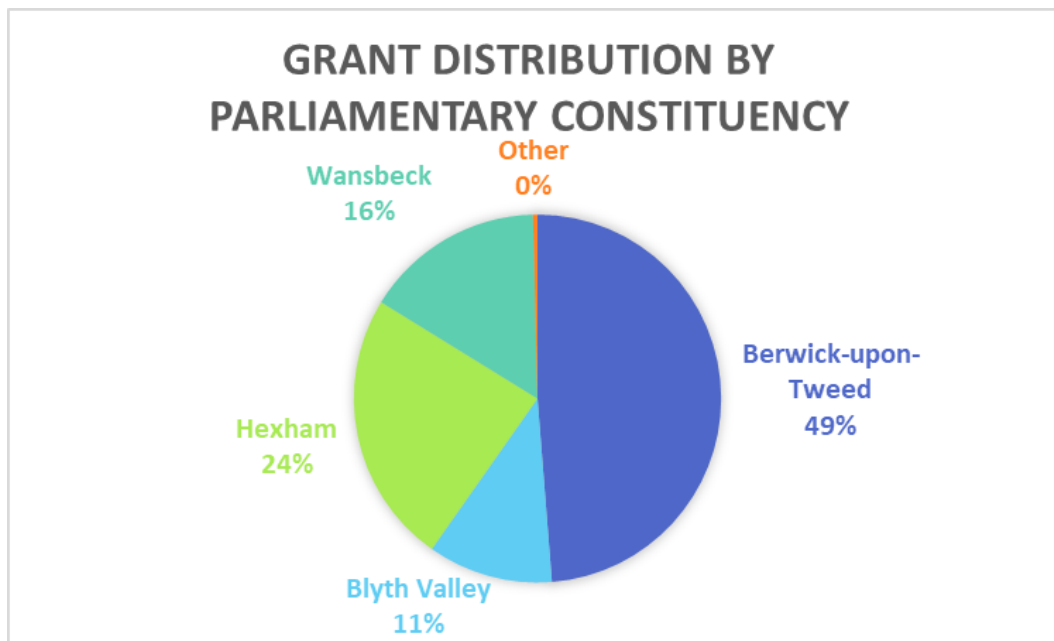
businesses which classed themselves as accommodation or food services (58%), followed by 'other services' (17%), arts, entertainment and recreation (8%) and retail (7%).

12. Figure 2 Distribution by sector



13. The geographic distribution of the grants is shown in figure 3 below, which illustrates that almost half of the grants (£102,275,418.29) were paid to businesses in the Berwick Parliamentary constituency area, which reflects the levels of accommodation and hospitality businesses in this part of the County.

Figure 3. Distribution by Parliamentary Constituency

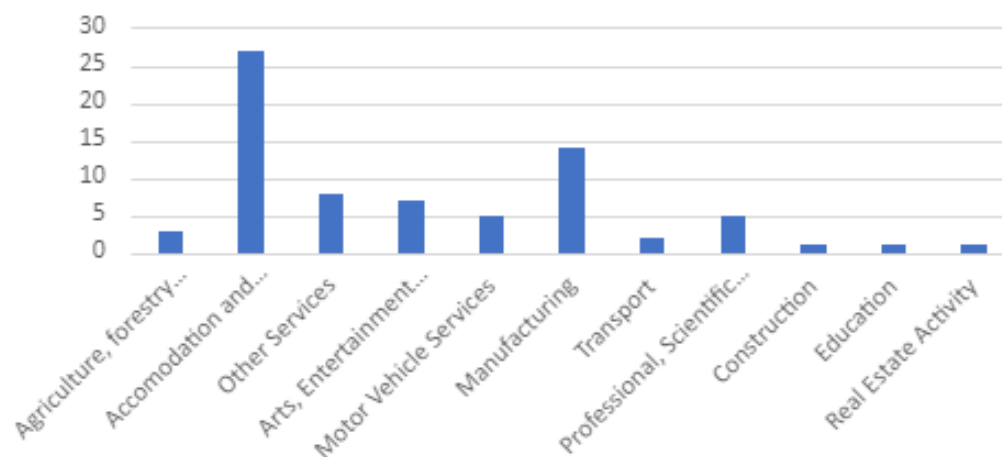


Recovery Grant

14. In Summer 2021 Northumberland County Council agreed to a £1m Northumberland Covid Recovery Grant (NCRG) scheme, funded from ARG, to provide the next phase of support to the County's businesses, as the economy emerged from restrictions. The Recovery Grant provided financial support to businesses to implement a credible plan to recover from the financial effects of Covid 19, at a 30% - 40% intervention rate. In total the Council supported 74 businesses with their recovery plans, which leveraged in £2m of private sector investment into the projects across the county.

15. Successful applications came from across the County with 47% of applications from rural settings, 43% urban and 10% from coastal settings. The vast majority of applications were from SMEs. A large number of applications were from the hospitality sector and manufacturing was also well represented, as the graph below demonstrates.

Figure 4. Recovery grant distribution by sector



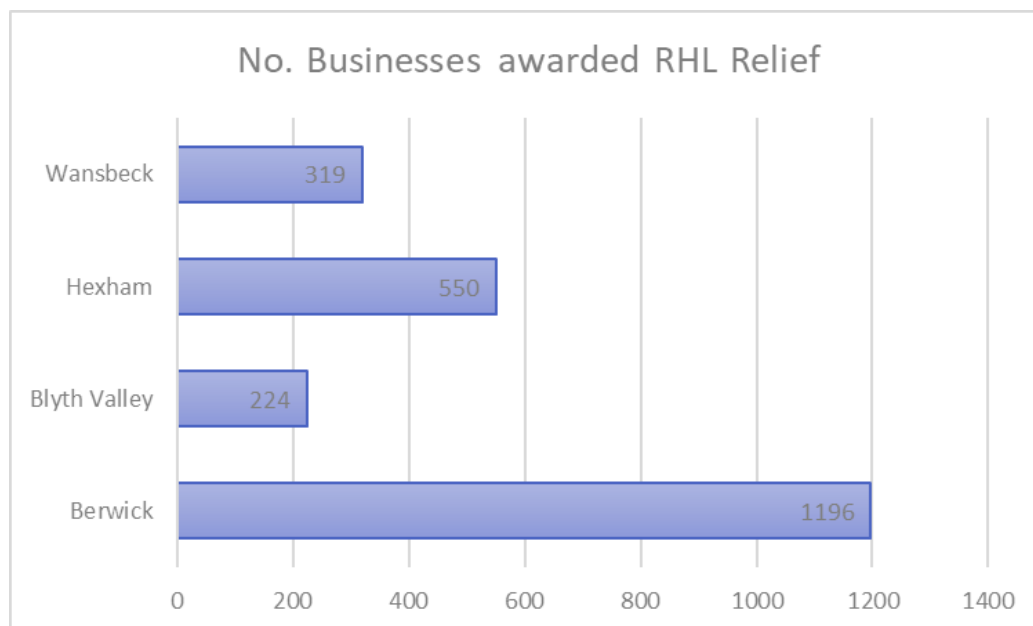
16. The Recovery Grant provided support to businesses across a wide range of geographies and sectors, and examples include:
- a. **JS Lunn & Sons** – a well known family Blacksmiths & Artists, established in 1921, and more recently featuring on the Northumberland tourist trail. The business invested in the conversion of an old workspace into a gallery to showcase their steelwork. The dedicated gallery area will allow the visitors to explore their work at a safe distance and without needing to interrupt the work of the forge.
 - b. **The Market Place Morpeth** – a café, refillery and gift shop which was enabled to move to a larger premises by the grant, as well providing support for essential pieces of equipment to enable a new business model. The business is currently working with Morpeth Climate Champions to develop plans and events on how to improve climate awareness in the local area.
 - c. **Origin Designed Ltd** – a business providing signage and houseware to the domestic and commercial market used the grant to purchase large format printing equipment. As a result, a range of new products has been successful in EU and North American markets and has led to further product development and business growth, including three new jobs.
 - d. **Monkey House Cider** – an award-winning craft cider producer, the business invested in equipment to increase production, sell externally and the creation of a tap room. The increased production and has enabled the business to acquire 36 new wholesale customers in Tyneside and Northumberland, and equipment has allowed them to sell direct to the public at local farmers' markets and trade events. The project has already created one more job opportunity.

Business Rates relief

17. In addition to the Covid Business Grants, the Government introduced business rates relief schemes to assist certain business affected with the pandemic with their business rates liability.
18. Prior to the pandemic the Government provided a Business Rates Retail Discount for retail properties, but this scheme was expanded in 2021/22 to include the leisure and hospitality sectors.
19. On 3 March 2021 the government confirmed that the Expanded Retail Discount would continue to apply in 2021/22 at 100% for three months, from 1 April 2021 to 30 June 2021, and at 66% for the remaining period, from 1 July 2021 to 31 March 2022.
20. The government confirmed that there would be no cash cap on the relief received for the period from 1 April 2021 to 30 June 2021. From 1 July 2021, relief was capped at £105,000 per business, or £2 million per business where the business is in occupation of a property that was required, or would have been required, to close, based on the law and guidance applicable on 5 January 2021.
21. For 2022/23, Retail, Hospitality and Leisure Business Rates Relief scheme will provide eligible, occupied, retail, hospitality and leisure properties with a 50% relief, up to a cash cap limit of £110,000 per business.
22. Relief is applied to the business rates accounts of eligible businesses and 2,289 businesses have had relief awarded to them for 2022/23 amounting to £8,514,705.

23. A geographic breakdown of the number of businesses awarded the relief is shown below.

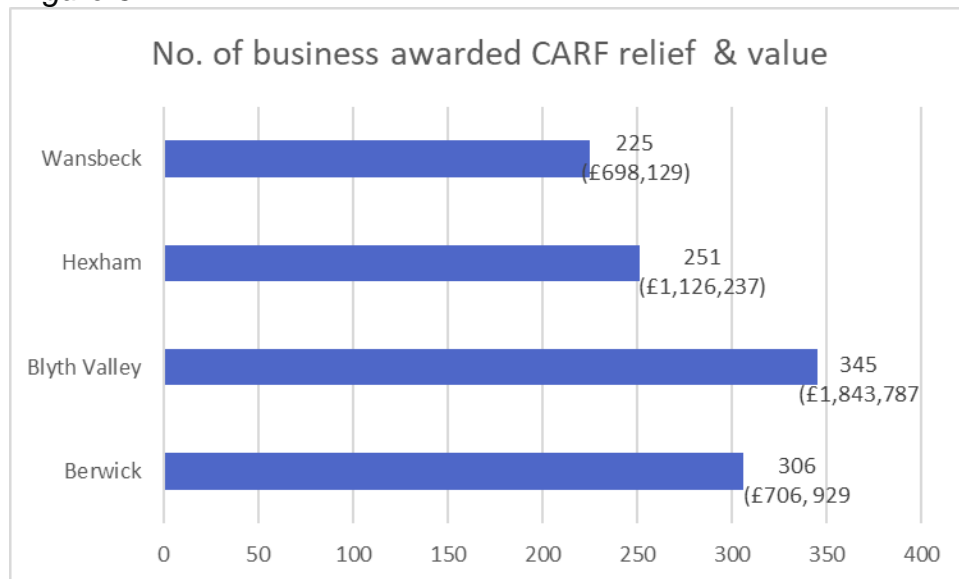
Figure. 5 Number of businesses awarded RHL Business Rate Relief



Covid Additional Restrictions Fund - CARF Scheme,

24. On 25 March the Government announced a new COVID-19 Additional Relief Fund (CARF) of £1.5 billion. The funding was available to support those businesses affected by the pandemic but that were ineligible for previous support linked to business rates.
25. The level of funding allocated to the Council was £4,735,379 to provide a discretionary CARF scheme to assist businesses by way of a business rates relief to be offset against their 2021/22 business rates liability and had to be awarded by 30 September 2022.
26. The Council's CARF scheme provided eligible businesses with a 25% reduction in their business rates liability for 2021/22. The relief was applied to the business rates accounts of those businesses eligible in July 2022.
27. This relief was applied to 1,127 businesses in the County at a cost of £4,377,081.
28. A breakdown of the number of businesses and value of the award in each parliamentary constituency is shown below:

Figure 6.



29. As CARF was for those businesses that had not been eligible for previous support, the majority of the funding was provided to factories, warehouses and storage distribution type businesses.

Council Administration and Lessons Learned

30. The delivery of the Covid grants was prioritised by the Council in the acknowledgement of the importance of the financial support for many businesses. To action the grants a cross-Council team was rapidly established, drawing in resource and expertise from a number of departments including policy, finance, revenues and benefits, communication, IT, audit and colleagues in Advance Northumberland. The team worked well and over the period of the grants developed clear processes and effective ways of working, despite it often being a pressured environment with a significant workload.
31. An exercise has been taken forward to identify the lessons learned from the experience and ensure these are built into any future grant schemes and, where relevant, general work of the teams involved. Key messages from the Lessons Learned exercise include:
- Establishing a cross-disciplinary team from the start of the process
 - Clear lead member and senior officer leads, with clear decision making and Governance in place
 - Any additional or external resource to be brought in early
 - Online forms work well; attempts to make re-application easier for applicants resulted in more complicated process with applicants sharing links / forms
 - Daily stand-ups and trouble-shooting helped to ensure that issues were resolved quickly
 - Review process – not a requirement of Government but positive; meant any genuine mistakes were resolved quickly

- Communication – dedicated inbox to manage the large volume of enquiries. In the future earlier, proactive communication with members and MPs to support them fielding enquiries would be recommended.

Implications

Policy	Covid Business Grants and Business Rate relief schemes are administered and reconciled in line with Government guidance. The Additional Restrictions Grant (ARG) was a discretionary scheme for the Council to develop based on local need and circumstances. The ARG scheme had a number of iterations with each element having its own eligibility criteria being approved prior to implementation.
Finance and value for money	<p>In general, the funding for business grants was provided by Government by way of an initial funding allocation in advance and the grants being which were then reconciled, with any surplus being repayable, and any shortfall reimbursed. The exception to this was funding for the Additional Restriction Grant, which consisted of three separate allocations each triggered after the previous allocation had been fully utilised and certified to the Government.</p> <p>The funding for business rates relief was met by Government.</p> <p>New Burdens funding was also provided by Government for the administration costs of implementing the grant schemes. This funding was utilised for some temporary resource and off-site processing to administer the initial grants and also to provide some resilience for the teams heavily involved.</p>
Legal	No implications
Procurement	No implications
Human Resources	<p>A team of officers from a number of council departments was mobilised in order to ensure that the processes and administration of the business grants was dealt with as a priority. Often operating under challenging and pressured circumstances the cross-disciplinary team had daily calls in order to control and implement the necessary schemes. These departments were:</p> <p>Policy, Revenues, Audit, Finance, Accounts Payable, IT, Communications, Advance Northumberland,</p>
Property	No implications
Equalities (Impact	N/A

Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	
Risk Assessment	The grant schemes were administered in line with Government guidance which set out the eligibility criteria for each separate grant scheme. Internal Audit were involved as part of the team to ensure there were sufficient checks in place to ensure that grants were paid correctly to those eligible and also to ensure that sufficient evidence was collected to ensure that grant awards were justified when carrying out the reconciliation and post payment assurance processes.
Crime Disorder &	No implications
Customer Consideration	Once the grant schemes were announced by Government and the guidance was issued, a team of officers from across the Council mobilised in order to set up the facility to enable businesses to apply for the funding as quickly as possible. This became easier as the initial processes were fine-tuned from lessons learnt
Carbon reduction	No implications
Wards	Qualifying businesses in all wards received business grants and relief

Background papers:

The following links provide access to the guidance:

<https://www.gov.uk/government/publications/coronavirus-covid-19-guidance-on-business-support-grant-funding>

<https://www.gov.uk/government/publications/local-restrictions-support-grants-lrsg-and-additional-restrictions-grant-arg-guidance-for-local-authorities>

The following link is to the guidance on the Council's website:

<https://www.northumberland.gov.uk/coronavirus/Support-for-Businesses-coronavirus/COVID-19-business-support-grants.aspx>

Report sign off.

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