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Dear Councillor

SOUTH HAMS EXECUTIVE - THURSDAY, 22 APRIL, 2021

I refer to the agenda for the above meeting and attach papers in connection with the following item(s).

Agenda No	Item
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| 2. | <u>Urgent Business</u> (Pages 1 - 8) |
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ARG Policy – Supporting Our Business Communities

Yours sincerely

Darryl White
Democratic Services Manager

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Report to: **Executive**

Date: **22 April 2021**

Title: **ARG Policy – Supporting Our Business Communities**

Portfolio Area: **Enterprise – Cllr Bastone**

Wards Affected: **All**

Relevant Scrutiny Committee: **Overview and Scrutiny Panel**

Urgent Decision: **Y** Approval and clearance obtained: **Y**

Date next steps can be taken: **Following Call In**

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Contact: **Chris.brook@swdevon.gov.uk**

RECOMMENDATIONS:

That the Executive

- 1. Approves the revised approach to the ARG policy to support the business community, local economy and local place in response to further funding being made available from central government, subject to the existing allocation being spent by June 2021.**
- 2. RECOMMENDS to Council to approve the use of up to £498,000 from the Business Rates Retention Earmarked Reserve to fund any wider business support measures approved by Council on 25 March, 2021, that cannot be funded from the new ARG allocation.**
- 3. Approves the use of the ARG funding to make payments for the remaining LRSG Open applications, up until the 30th of April when the LRSG Open scheme closes, as the LRSG Open funding allocation is close to being fully spent, so as to ensure the maximum amount of grant support for the business community.**
- 4. Continues to delegate the administration of the ARG scheme to the Director for Place and Enterprise in consultation with the Section 151 Officer, the Leader and the Executive Member for Finance, including the decision as to how to fund wider business support measures, once the further guidance on the ARG scheme has been published and clarified.**

1. Executive summary

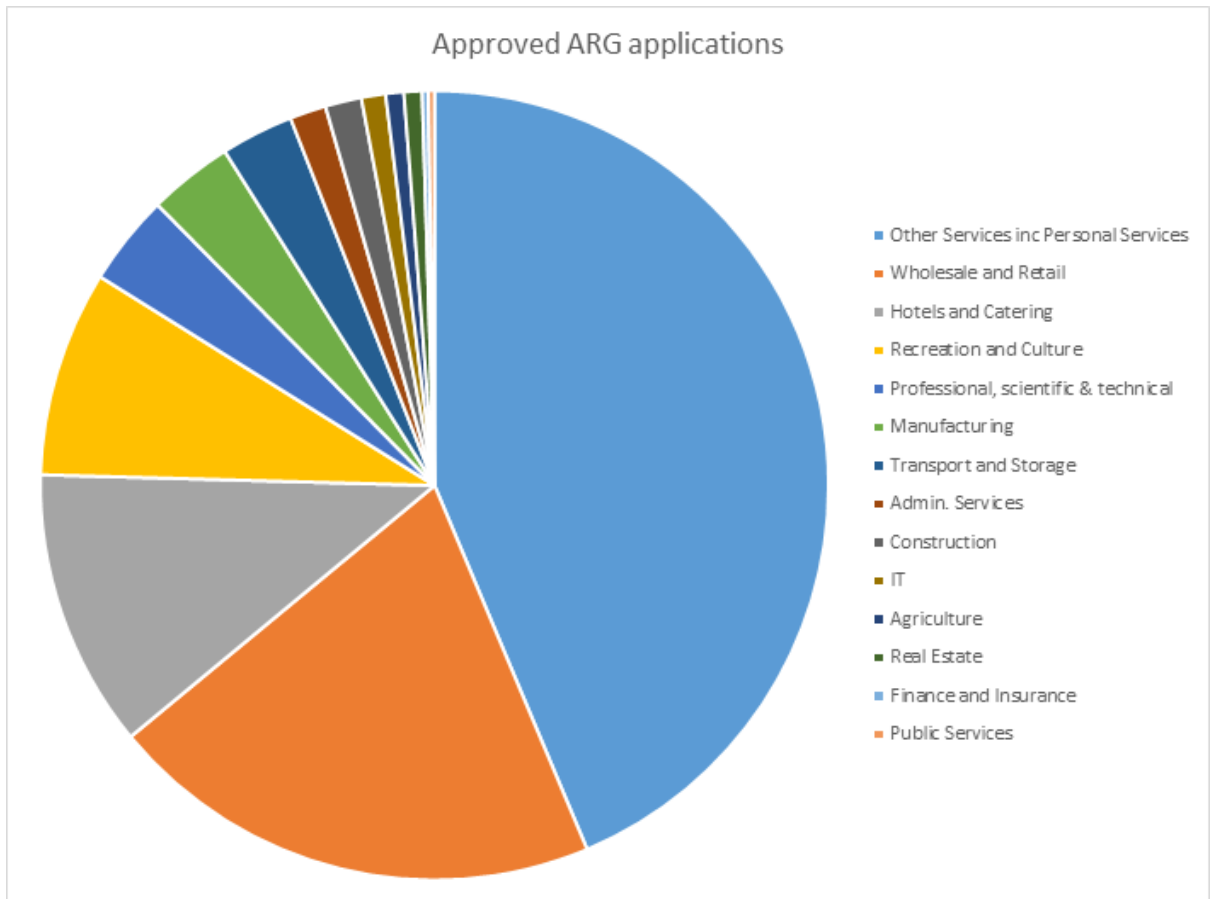
- 1.1. The Additional Support Grant (ARG) is designed to support businesses that are unable to access Local Restriction Support Grants (LRSG). The funding provided by Government had originally been intended to be a single allocation to last until March 2022. A prudent but pragmatic approach to the issuing of grants was adopted as a result.**

- 1.2. Recent Government policy changes have meant that should all the allocation of £2,512,941 be spent by the end of June 2021, an additional £891,622 allocation will be received by the Council. To achieve this, the Council would need to make additional grant payments to eligible businesses in addition to those that it would otherwise have made.
- 1.3. This is an opportunity to respond in a positive way to a change in Government policy that would allow vital additional funding to be allocated to the business community.
- 1.4. The risk for the Council if it follows this approach, is that the wider business support proposals, set out and approved at Council on 25 March 2021, would need to be funded from the additional £891,622 allocation.
- 1.5. The guidance from the Department of Business, Energy and Industrial Strategy (BEIS) as to what constitutes wider business support has evolved and the latest version, dated April 2021, will need to be clarified to see what if any of the proposals approved by Council in March can now be funded from the new ARG allocation. Further guidance and FAQs (Frequently Asked Questions) have been published, week commencing 19th April and conversations with BEIS will be had to add clarity within a short timeframe.
- 1.6. As a worst case, were the new allocation not be able to be used for wider business support as approved by Council in March 2021, the £498,000 cost of the support would need to be funded from the Business Rates Retention Earmarked Reserve. This has an uncommitted balance of £4.9 million and therefore it is the view of the S151 Officer that there is sufficient funding within this Earmarked Reserve to be able to afford to finance the £498,000 from this Reserve if needed, without this having a detrimental impact on the long term financial sustainability of the District Council.
- 1.7. This approach of spending all of the current ARG funding so as to access a new allocation of ARG funding past June 2021, is being taken by all Devon Billing Authorities, as set out in 5.5.
- 1.8. The new ARG funding will support a spectrum of hospitality, tourism and leisure businesses, including breweries, distilleries, events companies and market traders. (Refer to section 4)

2. Background

- 2.1. The Council adopted its ARG Policy on 3 December 2020, (Executive minute reference E.36/20) in response to guidance issued by the BEIS.
- 2.2. The ARG is the discretionary element of the business support package put in place by the Council aimed at businesses that fell outside of the LRSG Closed Addendum, LRSG Closed and LRSG Open schemes (refer to Council report, 11th February 2021, minute reference 39/20 for further details on these schemes).
- 2.3. The Council received funding of £1,740,080 in December 2020 for the ARG scheme, and at that time, it was clear that it was a one off amount of money and was to last until March 2022. Accordingly, the policy then reflected the need to ensure the money could last a number of future lockdowns and a three tranche approach was adopted.
- 2.4. Uptake of the ARG was good, but not all of the first tranche was spent in the first lockdown, as demand from businesses that could evidence a “significant” impact due to the lockdown was lower than expected.

- 2.5. In February 2021, BEIS announced that a second ARG funding allocation would be issued and South Hams received a further £772,861. The total ARG funding was £2,512,941. A report to Council in February 2021, (minute reference 39/20), approved changes to the ARG policy to reflect this additional payment. They were:
- 2.5.1. An increase in the payment thresholds to businesses to provide more financial support, thereby paying the majority of the ARG funding out in direct grants to businesses
 - 2.5.2. Reduce the definition of “significantly impacted” from 50% reduction in income or turnover, to only 10% reduction, so as to increase the number of businesses that could apply.
 - 2.5.3. A small proportion of the allocation, £500,000 (20%) to go towards wider business support, in line with the BEIS guidance.
- 2.6. As a result of this approach, the following business sectors (by proportion) have been supported through ARG grants paid to date.



- 2.7. A further report to Council, 25th March 2021, “Investing in South Hams Economy” set out how the £598,000 would be spent to support business, the local economy and pride of place activity in the District, with £100,000 anticipated being funded from Welcome Back Funding (a Government Grant).
- 2.8. This package of measures included business hospitality support, funding for Town Councils and Parish Councils to make improvements, COVID compliance officers and other measures designed to improve the sense of “place”.

- 2.9. Of particular note was the requirement for the Town Council “improving the business environment” funding to be matched.
- 2.10. The proposals agreed at that Council Meeting were to be rolled out over the coming summer season and the funding would be spent by the deadline of March 2022.

3. Recent Changes to the ARG Scheme

- 3.1. In April 2021, BEIS announced that a third further funding allowance would be issued to Councils for ARG schemes, if Councils had defrayed (the money has left the Council’s bank account) their allocation by the end of June 2021, which in the case of South Hams is £2,512,941.
- 3.2. To date the Council has paid out approximately £1.3m in direct business grants and without a revision in policy would spend a further £700k up to the beginning of April issuing direct business grants and licence refunds. That would leave sufficient funding available for wider business support as committed by Council in February. With no change in policy, the Council will not therefore have defrayed all £2,512,941 and will not receive additional funding from BEIS.
- 3.3. The additional funding indicative allowance is £891k for the Council, more than sufficient to fund the committed wider business support proposals agreed by Council in February & March 2021, if the Council is able to defray the existing funds it holds by June 2021.
- 3.4. The guidance as to how the new allocation can be spent does restrict the wider business support measures that are acceptable, and this is discussed more in the risks section of the report.
- 3.5. This report sets out proposals to achieve the aim of supporting the businesses and local economy by accessing the additional grant allocation. They are to:
 - 3.5.1. Provide direct business grants to businesses in need through ARG payments over a greater number of months than would otherwise be achieved.
 - 3.5.2. Ensure funding is issued in a way that delivers best value for the tax payer using a needs based approach (the existing policy does this)
 - 3.5.3. Captures business sectors not able to access the Re-start Grants but offer in person services, such as distilleries, breweries and other sectors.

4. Outcomes/outputs

- 4.1. So as to defray the remaining ARG funding by June 2021, the following measures are proposed.
- 4.2. Make ARG payments for the month of April, an extension of 1 month on what was previously affordable.
- 4.3. Make additional payments to the Market Trader sector of £1000 per trader (there are approximately 70 registered traders in SH).
- 4.4. Provide one off hardship grants (£5k minimum) to breweries and distilleries who are specifically excluded from the re-start grants scheme, but have suffered significantly through the pandemic due to the impact on the hospitality sector.
- 4.5. Provide funding to businesses that have seasonal activity and therefore were previously unable to meet the criteria of having suffered a loss due to the time of year of the grant application (November). This would include, but is not limited to events companies, tour guide operators, showman etc.
- 4.6. Approve the use of ARG funding for grant awards to businesses through the LRSG Open scheme between now and the 30th of April when the LRSG Open scheme closes, given that the LRSG Open allocation is nearly spent. This approach has

been adopted in other Councils, where necessary so as to ensure as many businesses as possible can access grant funding.

5. Options available and consideration of risk

- 5.1. This is a clear opportunity to provide additional funding direct to businesses to boost our local economy as business restrictions ease. However so as to access the funding, there should be an understanding of the risk to the funding source for wider business support measures that have been agreed at Council in February and March 2021.
- 5.2. The current ARG guidance issued in 2021 by BEIS contains the following key paragraphs about wider business support:
 - 5.2.1. *Section 20 - Local Authorities can use ARG funding for business support activities. This may primarily take the form of discretionary grants, but Local Authorities could also use this funding for wider business support activities.*
 - 5.2.2. *And Section 32 - ARG funding should not be used as a wage support mechanism, for capital projects that do not provide direct business support, or to fund projects whereby Local Authorities are the recipients.*
- 5.3. Further FAQs have been issued this week which add clarity to what BEIS believe is and isn't acceptable, but the guidance is being clarified with BEIS at the time of writing. Officers will undertake to interpret the guidance and will utilise all options available to get a clear position as soon as possible.
- 5.4. To date we have discussed the position with other Devon authorities and a national specialist in the area of Business Rates. We will continue these conversations with the benefit of the FAQs.
- 5.5. All the other Devon authorities are intending to defray (spend) their existing ARG funds to access the new allocation. Those, who like South Hams had set aside money for wider business support (Torbay, Plymouth, North Devon etc.) intend to defray their ARG funding now as direct business grants and undertake wider business support activities from the new allocation received after June 2021.
- 5.6. It is not guaranteed, but it is thought likely that some of the proposals approved by Council in March 2021 will be compliant with the current BEIS guidance and can therefore be fully funded from the new allocation of ARG (£891K). The Town Fund prospectus and guidance note (Appendix A) have been drafted to align to the BEIS guidance in so far as is possible.
- 5.7. In the worst case example, that none of the proposals can be funded from the new allocation of the ARG, and the full £498,000 has to be funded from another Council source, then, it is proposed to take the funding from the Business Rates Retention Earmarked Reserve. This has an uncommitted balance of £4.9 million and therefore it is the view of the S151 Officer that there is sufficient funding within this Earmarked Reserve to be able to afford to finance the £498,000 from this Reserve if needed, without this having a detrimental impact on the long term financial sustainability of the District Council.
- 5.8. Any additional ARG allocation that is received that is not spent on wider business support, will be spent on direct business grant support in line with the BEIS guidance.

6. Proposed Way Forward

- 6.1. It is recommended that the Executive endorse the approach to provide more support to businesses through ARG grant payments to improve the local economy and support jobs.

- 6.2. In doing so, it will be able to access a further allocation of funding which can then be used to both provide additional business grants and wider business support subject to the FAQs and technical clarification of the guidance issued by BEIS.

7. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The funding for ARG is provided under section 31 of the Local Government Act 2003 which empowers a Minister to pay a grant to a local authority in England towards expenditure incurred or to be incurred by it. Section 1 of the Localism Act 2011 provides the statutory basis for the administration of the scheme by the Council.
Financial implications to include reference to value for money	Y	<p>The measures proposed would allow access to a further allocation of funding £891,000 for ARG.</p> <p>As a worst case, were the new allocation not be able to be used for wider business support as approved by Council in March 2021, the £498,000 cost of the support would need to be funded from the Business Rates Retention Earmarked Reserve. This has an uncommitted balance of £4.9 million and therefore it is the view of the S151 Officer that there is sufficient funding within this Earmarked Reserve to be able to afford to finance the £498,000 from this Reserve if needed, without this having a detrimental impact on the long term financial sustainability of the District Council.</p>
Risk	Y	Refer to section 4.
Supporting Corporate Strategy		
Climate Change – Carbon/Biodiversity Impact	N	
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	
Safeguarding	N	
Community Safety, Crime and Disorder	N	
Health, Safety and Wellbeing	Y	
Other implications	N	

Supporting Information

Appendices:

None

Background Papers:

None

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