

Open Report on behalf of Andy Gutherson, Executive Director - Place

Report to:	Councillor M J Hill OBE, Leader of the Council (Executive Councillor: Resources, Communications and Commissioning)
Date:	Between 02 – 07 July 2021
Subject:	Business Support Programme Reserve Funds
Decision Reference:	I022289
Key decision?	No

Summary:

Full Council approval was given on the 19th February 2021 to create a Support for Business Reserve Fund of £12m to provide grant programmes designed to support Lincolnshire businesses who have been directly impacted by Covid-19 and to enable them to survive and adapt to the changing environment and grow once restrictions are lifted.

On 19th February 2021 the Leader of the Council approved the provision of four grant programmes.

The grant programmes have been well received and in particular the Digital and Rural business grants have been substantially oversubscribed. This report requests approval to repurpose £1.5m from the initial £12m approved fund to help to meet the scale of demand.

This report recommends that because the initial period of economic uncertainty resulting from the Covid-19 pandemic has now ended, that the County Council's business support programme should close on Friday 13th August 2021.

Recommendations:

That the Leader of the Council (Executive Councillor for Resources, Communications and Commissioning):

1. Approves capping the amount to be distributed by way of Business Recovery Fund grants so that no applications are processed which would take the total funding distributed above £3.700m.

2. Approves increasing the total funding available through the Digital Voucher Scheme by £0.750m to £1.750m.
3. Approves increasing the total funding available through the Rural Business Grant Scheme by £0.750m to £1.750m.
4. Approves the closure of all four programmes of the business support programme so that no payments are made in respect of any application which has not been approved by 5.00pm on Friday 13 August 2021.

Alternatives Considered:

Alternative A: Do not top up the oversubscribed funds.

If we do not top up the Rural and Digital Business Grant programmes it will save the Council resources, both in cash and officer time.

However, there is clear demand, evidenced by the number of applications that have been received from businesses that have been severely impacted by Covid-19.

There is also clear evidence that businesses who need to invest to grow or to adapt to changing customer conditions are unable to attract the funding required at the pace that they require.

By not topping up the grant programmes the County Council will not assist a significant part of the Lincolnshire community – the businesses who create jobs and wealth. The Council will therefore miss an opportunity to respond to the economic emergency created by the pandemic and create the conditions for a strong recovery.

Alternative B: Approach the District Councils to ascertain if they are able to support the Rural and Digital grant applicants within their districts through their unallocated discretionary Additional Restriction Grant (ARG).

However, the District Councils have their own plans for allocating their ARG funds and their underspends vary.

Alternative C: A hybrid model whereby Lincolnshire County Council (LCC) tops up both the Rural and Digital Grants by £0.750m each and in tandem an approach is made to the Districts to further enhance the funds because there will still be a significant gap in terms of demand and supply.

Alternative D: To leave the programmes open beyond 13 August 2021. The rural and digital programmes already have sufficient applications to expend the amount of the grant for that programme. The date of 13 August gives sufficient time for current applications to be administered and approved provided that applicants provide requested information promptly.

Reasons for Recommendation:

The use of £1.500m out of the unallocated business support reserve to top up two grant programmes which have been significantly oversubscribed will enable the County Council to provide funding to businesses who are most at need and help them adapt to the new environment and meet changing customer needs in order to sustain and survive.

Not approving applications for the Business Recovery Fund in excess of £3.700m reflects the extent of the demand for this particular grant and enables future decisions to be made as to the use of this money in response to future circumstances.

The Rural and Digital grant programmes already have sufficient applications to expend all the funds. The setting of a date by which applications are to be approved which can be met if applicants provide requested information promptly ensures that resources are not unnecessarily taken up in administering the programmes.

1. Background

At its meeting on 2 February 2021 the Executive recommended that the Council makes a substantial investment in business support, of £12m, focused on new ways of delivering finance and other support that compensates for the damage caused by Covid-19 as well as responding to the economic emergency it has created. The full Council approved the creation of a reserve to fund such support as part of the 2020/21 and 2021/22 budgets at its meeting on 19 February 2021.

The Leader of the Council subsequently on 19th February 2021 approved the establishment of four new grant funds and the approved funding levels and take up rate for each grant is outlined in Table 1:

Table 1- LCC Business Support Grants

Grant	Fund Level	Grant Level	Applications	Reserve List Applications
Business Recovery Fund	£7m	Up to £10k	502 (19 rejected to date)	N/A Undersubscribed (£3.7m applications received)
Digital Voucher	£1m	£5k	801 (18 ineligible)	551
Rural Business Grant	£1m	£3k - £25k – up to 75% of eligible costs	230 (25 ineligible)	121
Invest for the Future	£2.5m	£25k - £75k up to 25% of eligible costs	123 (43 ineligible)	16

The grants have been well received but while there have been significant oversubscriptions in both the Digital and Rural Business Grants, the Business Recovery Grant has received fewer applications than forecast.

It is important therefore to consider whether adjustments should be made to the allocation of the overall funding between the schemes to make sure funding is most efficiently aligned to the outcomes the overall reserve was designed to achieve.

Business Recovery Grant – Fund Cap

The Business Recovery grant has received applications to the value of £3.700m which are being processed. It is not expected that there will be any significant additional requests for support from this scheme and it may be that the total value of grants issued falls below £3.700m if there are any further application withdrawals/rejections.

It is therefore considered that the £3.700m is sufficient to meet the demand for this fund and that therefore £3.300m of unallocated funds are available for other purposes.

It is therefore recommended that the Council should consider capping this fund at £3.700m so that applications would not be processed or approved that would take the total payments under the scheme beyond £3.700m.

BRG Status Update

No. of BRG Applications	Value of applications	No. of initial rejections	Value of project being processed	Committed (inc Paid)
502	£3.7m	19	£2.9m	£2.457m

Consideration should then be given to how to deal with the £3.300m unallocated funds.

From a progress point of view, as of 23rd June 2021, £2.457m grants had been paid to 325 businesses. The big challenge in this programme has been the data and information provided by businesses; 130 applications have now been rejected because businesses had either received a separate Covid-19 grant or could not provide the required documentation to demonstrate losses. This leaves another 49 businesses who are requesting £0.345m who we are still working with to provide the simple information that was requested through the application process. We expect to complete the final applications by the end of the month.

The team has made contact with these businesses and has given them the chance to provide the right evidence. Therefore there is no risk of payments exceeding the £3.700m mentioned above.

Digital Voucher £1m

The Digital Voucher (up to £5k 100% funded) was designed to enable businesses with up to 50 employees to digitise to innovate and remain competitive.

No applications received	of Reserve Applications List	Value	Top up of £750,000 supports	Remaining Gap
801	551	£2,199,905	150 businesses	£1,449,905

Over 801 applications were received of which 232 will be supported within the initial funding allocation of £1.000m. This still leaves 551 Reserve List applications.

A £0.750m top up to the Digital Voucher Scheme will help to support at least a further 150 qualifying digital projects on the reserve list which include applications for new and enhanced web presence, new technology such as ecommerce platforms, contactless payment systems, software development and digitisation of processes.

Progress-wise, approval letters have been sent to 250 businesses confirming that they will receive support (total value £0.940m). £0.811m has now been paid out to those businesses as a first and second stage payment for their digital project. The team is working through further payments and is supporting the businesses so that they can receive the right digital support.

The Council has informed the Local Authorities about the reserve list with a view to them considering if they would like to support reserve list applications with their unallocated discretionary Additional Restriction Grant (ARG). We are currently in discussions with one District Council who is considering this approach.

Rural Business Grant £1m

The Rural Business Grant was created to provide a capital grant to village shops and rural businesses to enable them to invest in new facilities or equipment as a response to:

- Diversification opportunities resulting in a new product or service
- Adapting to Covid-19 challenges and needs
- Becoming sustainable by updating physical infrastructure; or
- Developing sustainable Rural Tourism offers

Grants were available between £3,000 and £25,000 covering up to 75% of total eligible costs.

The target audience for this programme was locally owned businesses or community applicants in rural communities of less than 20,000 people.

No of applications received	Reserve List Applications	Value	Top up of £750,000 supports	Remaining Gap
230	121 (excluding ineligible applications)	£1,936,725	57 businesses	£1,157,204

Over 230 applications have been received and of those 84 have been invited to progress to full application. There are a further 121 applications on the reserve list. A top up of £0.750m will allow a further 57 rural businesses to be supported.

The top up funds will be able to support the following types of qualifying projects:

- Requested grant of £25,000 to introduce a new, year round bike hire service to the local community and tourists. Based on the East Coast, the bike hire service would also be offered free of charge to selected local groups with short term mental health needs, scout/guide groups, and local schools. The funding would support the purchase of 24 electric bikes, helmets, bike stands and a container.
- Requested grant of £15,000 to purchase new packaging machinery that will allow the production line of sandwiches to switch to compostable packaging. The new packaging will introduce extended shelf life of the products, and therefore reduce waste for the business and their customers.
- Requested grant of £4,875 to enable the farm business to diversify into providing a 'Pick your own Pumpkins' attraction. The grant would support the purchase of wheelbarrows required by customers to 'pick pumpkins', a gazebo, cash till, signage and promotional materials. The applicant demonstrates a clear gap in the market in the local area, and shows how diversification can support the business which has been affected by Covid-19 due to a reduction in the need for summer cut flowers.

We have now contracted with £0.800m of rural business projects, 64 in total. The money for these projects is being paid in two instalments, and so far we have paid £0.510m out to projects. Again, there is a good countywide coverage though obviously the more rural areas have proportionately more applications.

The Council's Counter Fraud team are dealing with an application that we received for this programme. This demonstrates that the systems that were introduced in partnership with the Finance team have identified a potential risk to the Council and have avoided the risk turning into something more serious.

Invest for the Future

This programme provides significant grants to businesses with clear growth plans. They undergo a rigorous appraisal process, providing a detailed business plan. The approval panel has endorsed £1.492m for 30 business projects from across the county. These include a new commercial recycling plant in South Kesteven, a muscular-skeletal

treatment centre in North Kesteven, a niche food distributor and a new vehicle fuel production line both in East Lindsey, a crop growing patent business in West Lindsey, plus tourism and manufacturing investments. We made an investment in every district in the county and it was refreshing to see the range of innovative and productive schemes that LCC is supporting.

Re-allocation of funding

This report proposes that £0.750m is moved to the Rural Business Grant and £0.750m to the Digital Voucher programme. It should be noted that there is more funding available than the £0.750m + £0.750m = £1.500m. At this stage it is prudent not to allocate the full amount of funding available. This is because LCC has made bids for funding to extend some of these programmes which would require a small amount of match funding but would lever substantial external funding to assist local business. There is sufficient demand for the £1.500m from business, and the reallocation of funding would enable LCC to support a further 207 businesses.

LCC had originally made this funding available in order to tackle the immediate economic challenges presented by Covid-19. As far as we are aware, LCC was the only council in the country to use its own budget to provide grants to assist businesses who were affected by Covid-19 and who were unable to attract other funding. The immediate economic challenges have now passed, and therefore it is prudent for the Council to review whether it should continue to spend its resources on this programme. Given other pressures on Council budgets it is probably not. Also, other grant programmes are becoming available, notably through the Government's allocations to the Business Growth Hub and through the UK Community Renewal Fund, and therefore there are other financial routes available to local business. Therefore it is recommended that the business support programme is closed shortly; no further opportunities to apply should be offered to businesses but the waiting list of applicant businesses who originally applied should be offered funding up to the budget limits as set out in this report. In order to provide the time for businesses to submit details for the funds that have now been allocated, and for those details to be robustly processed, it is proposed that the programme closes at 5.00pm on 13 August 2021 and no payments be made in respect of any application not approved by that time.

2. Legal Issues:

Subsidy Control

The proposed reallocation of total funding in and between the schemes does not affect the subsidy control analysis included in the report to the Leader of the Council dated 19th February 2021.

Equality Act 2010

Under section 149 of the Equality Act 2010, the Council must, in the exercise of its functions, have due regard to the need to:

- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act.
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The relevant protected characteristics are age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; and sexual orientation.

Having due regard to the need to advance equality of opportunity involves having due regard, in particular, to the need to:

- Remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic.
- Take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it.
- Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to tackle prejudice, and promote understanding.

Compliance with the duties in section 149 may involve treating some persons more favourably than others.

The duty cannot be delegated and must be discharged by the decision-maker. To discharge the statutory duty the decision-maker must analyse all the relevant material with the specific statutory obligations in mind. If a risk of adverse impact is identified consideration must be given to measures to avoid that impact as part of the decision making process.

This business support programme is available to all eligible persons to apply. It is publicised on the Council's website which makes provision to support anyone at a disadvantage. All team members who are involved in processing the applications have undergone the Council's standard equality and diversity training.

Joint Strategic Needs Analysis (JSNA) and the Joint Health and Wellbeing Strategy (JHWS)

The Council must have regard to the Joint Strategic Needs Assessment (JSNA) and the Joint Health and Wellbeing Strategy (JHWS) in coming to a decision.

The JSNA identifies a strong link between the economy/employment and health and wellbeing. The Council is investing in this business support programme in order to provide support to the economy at a time of economic emergency. The tourism scheme, in particular, will be relevant to the JSNA because there is a strong correlation between the areas most affected by the lockdown of the visitor economy sector and those areas with the highest incidence of health difficulties.

Crime and Disorder

Under section 17 of the Crime and Disorder Act 1998, the Council must exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent crime and disorder in its area (including anti-social and other behaviour adversely affecting the local environment), the misuse of drugs, alcohol and other substances in its area and re-offending in its area.

Many studies have shown a link between levels of unemployment and levels of crime. By delivering this business support programme it is hoped that a large number of jobs will be safeguarded or created, which should have a positive impact by reducing the risk of increased crime and disorder in Lincolnshire.

3. Conclusion

In conclusion, both the Digital and Rural Grants schemes have been significantly oversubscribed and in order to maintain the focus on supporting businesses to adapt in order to meet changing customer demands and to survive and grow, it is proposed that £1.5m out of the existing £12m Business Support Programme be repurposed to support a further 207 businesses.

Whilst there are minimal risks associated with enhancing these grant programmes, the benefits of the grant programmes will have a significant effect on Lincolnshire's business community.

4. Legal Comments:

The Council has the power to reallocate funding within the programme proposed, cap payments under the programme and bring the programme to a close. The legal issues relating to subsidy control are dealt with in the Report.

The decision is consistent with the Policy Framework and, the decision is within the remit of the Leader of the Council (Executive Councillor for Resources, Communications and Commissioning).

5. Resource Comments:

Accepting the recommendation in this report, to utilise £1.5m of the existing funds to support over subscriptions, will commit the Council to no additional financial costs.

6. Consultation

a) Has Local Member Been Consulted?

Not applicable, this is a county wide programme.

b) Has Executive Councillor Been Consulted?

Yes.

c) Scrutiny Comments

The decision will be considered by the Overview and Scrutiny Management Board at its meeting on 1 July 2021 and the comments of the Board will be reported to the Leader of the Council.

d) Has a Risks and Impact Analysis been carried out?

Yes.

e) Risks and Impact Analysis

Please see risk analysis embedded into the report.

7. Background Papers

Document title	Where the document can be viewed
Executive Councillor decision report "Business Support Programme" 19 to 26 February 2021	Decision - Business Support Programme (modern.gov.co.uk)

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