



## **Additional Restrictions Grant – Business support activity Cllr Ken Rhatigan, Cabinet Member for Economic Development in consultation with Cllr Hannah Golding, Cabinet Member for Finance and Service Improvement**

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<b>Report to:</b>	<b>Cabinet</b>
<b>Meeting date:</b>	09/03/2021
<b>Ward(s):</b>	All
<b>Key Decision:</b>	<b>Yes</b>

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### **Foreword - Cllr Ken Rhatigan, Cabinet Member for Economic Development**

In October 2020, the council established its Economic Recovery Framework (ERF), detailing the key priorities and actions we would need to take as a local authority, in conjunction with our partners, to lead the borough's economic response to the Covid-19 pandemic. A critical element of the ERF is the support we provide directly to businesses, both established and new. Whilst the council continues to deliver financial support to businesses during periods of national and local restrictions, it is now imperative that we consider how we provide longer-term support for our local economy. Important as they are, this will mean not just focusing on direct grants, but establishing support pathways for our businesses to become more resilient and to be able to focus not just on survival, but recovery and growth.

In my foreword to the ERF, I suggested that the framework was designed to not just consider how we might preserve and protecting what already exists in our local economy but also to focus on how we continue to deliver on our growth mindset in a revised economic context. Effective utilisation of the Additional Restrictions Grant on the right business support activity will give many of our businesses the platform to achieve this.

#### **Recommendation:**

- **To approve the recommendations for use of the Additional Restrictions Grant on three business support programmes**

## **Background, corporate objectives and priorities**

On 31 October 2020, the Government announced the introduction of additional support for Local Authorities under national and Local Covid Alert Level (LCAL) 3 restrictions. The Government announced that Local Authorities would receive a one-off lump sum payment of £20 per head when LCAL 3 or widespread national restrictions are imposed. For Basingstoke and Deane, this was received when we moved into a national lockdown on 5 November 2020. This funding is known as the Additional Restrictions Grant (ARG).

The funding is primarily to support closed businesses that do not directly pay business rates as well as businesses that, whilst not closed, are impacted by the closures enforced by the local and national restrictions through the payment of grants. BDBC's share of the funding is £5.10m to cover the period up to 31 March 2022, including a recent top-up of £1.57m from Government. Up until 2 February, the Council had paid out £1.65m in grant support to over 320 businesses from this funding.

Whilst it is envisaged the support will primarily take the form of discretionary grants, local authorities also have discretion to use the funding for wider business support activities that might support the long term viability of their local economies. Under our initial allocation, it was proposed that £3.0m would be used for direct grants and £0.53m would be used for business support activities with the possibility of further funding should we not utilise all of the funds allocated for grants. Based on recent demand for the grants and the timetable of re-opening the economy as set out by the Government, it is likely that all available funding will be used on direct grants.

We do not know whether there will be any additional ARG funding allocated to the Council in the future. The Government initially stated the ARG was a one-off payment but then provided an additional £1.57m following the move back into a national lockdown. The Government has again reiterated that this is a final payment but further support could potentially be provided at the Budget on 3 March. However, this paper has been written on the basis that no further funding will be provided.

Little definition is provided in terms of what the ARG can or cannot be spent on in terms of business support activities, except that it cannot be used to fund internal resources, as that should be covered under New Burdens Assessments. Further guidance has been sought from the Business Grants team at the Department for Business, Energy and Industrial Strategy (BEIS) but we are still awaiting a response. No guidance exists that suggests the funding cannot be used for new businesses as long as it is providing business support.

It is critical that all funded business support activity supports our ambitions under the Economic Recovery Framework, particularly the *Business Support and Entrepreneurship* theme. It is also important to note that the work will support our Council Plan priorities, particularly *Planning for the Future* and *Strengthening our Communities*.

## **Main considerations**

### **1 Executive Summary**

- 1.1 In October 2020, the council established our Economic Recovery Framework (ERF) in response to the impact COVID-19 was having on our local economy. A priority theme of the ERF is Business Support and Entrepreneurship. This report provides details of how we might utilise discretionary ARG funding to provide business support to support our local businesses and help to stimulate both economic recovery and growth and align with the ambitions of the ERF.
- 1.2 It outlines the level of funding recommended to be awarded to three different schemes, developed based on research and engagement, and highlights issues for consideration. The different schemes are:
- Digital transformation and incubation support
  - Resilience Programme to support small businesses and their owners
  - Peer-to-peer support, networks and events

### **2 The Proposal**

- 2.1 As set out in Section 3, work has been done to understand what support businesses need to look beyond survival and onto recovery and ultimately on a path to return to growth. Consideration has also been given to the existing business support landscape to ensure that proposals do not duplicate existing work and to focus on schemes that we feel to be achievable and will support Basingstoke and Deane's economy.
- 2.2 From conversations with businesses, business representative organisations (BROs) and market research such as surveys, we have identified three key issues to shape our support around:
- The need for digital transformation and adaptability
  - The need to support businesses to become more resilient, including support for the mental health of business leaders
  - The need for increased peer-to-peer support, networks and training
- 2.3 To achieve these three aims, three proposals have been developed alongside indicative costings. These proposals are all considered important to support businesses through the current crisis, but critically also enable them to adapt and be ready for an economic future that is still difficult to predict.

#### *A. Digital Transformation and Incubation support*

This project would aim to stimulate the resilience, sustainability and growth of existing SMEs through a greater use of technology and digital solutions, and to foster the creation and growth of technology businesses and product commercialisation within the Enterprise M3 area.

New entrepreneurs, start-ups, scale ups and SMEs will receive targeted enterprise and business recovery and growth support to help them:

- Turn an idea or refresh an existing business model into a viable technology business
- Develop an effective digital transformation strategy
- Bring new digital products, services and applications to market
- Move to their next stage of growth
- Access investment and funding
- Collaborate with other businesses and research institutes to foster innovation
- Build resilience and capacity to respond to change and overcome economic challenges.

This programme will be delivered through a range of activities as follows:

- Commercialisation courses: two-day courses providing all the fundamentals required to develop a viable business model or refresh existing models
- Incubation and acceleration support: sustained period of support to accelerate the growth of new and existing businesses
- Digital transformation support: targeted at existing businesses that need advice and guidance on how to become more digital and to make the most of technology to support the recovery, resilience and growth of their businesses
- SME Digital Productivity Programme: to develop founders' leadership skills and their adoption of proven change management practices and process re-engineering tools that deliver productivity growth by digital means

This programme has a number of benefits, including the opportunity to connect with a number of other council projects and priorities, most notably the potential 5G Living Lab. Another benefit is the scope of the work above; whilst it is focused around digitisation of businesses, businesses from any sector will be able to benefit. We would work hard to ensure that we are getting a broad range of businesses, including those from the rural economy, represented.

The anticipated cost of this project would be £0.25m for a two-year investment to enable the ARG to have a more sustained impact on our economy. We are already aware of providers in the local market who could deliver such a programme of support so we know it to be deliverable, although of course we would go through procurement process as standard.

#### *B. Resilience support, including mental health provision for business leaders*

There will be a number of businesses for whom the above support is not suitable; they might be too early in their journey, too far along or potentially unable to commit to intensive support. However, it is clear from our

engagement and from survey results, such as the University of Portsmouth survey delivered on behalf of the Hampshire and Isle of Wight Local Resilience Forum, that support to make businesses more resilient to economic shocks is a priority need right now.

The ARG direct grant scheme has identified that there are hundreds of businesses within Basingstoke and Deane who are in need of short-term funding help. However, we know that the limited amount of funding we have means this support cannot be sustained. Instead we need to focus on helping these businesses, who range from creative agencies to personal trainers to breweries, to become ready for whatever the next 12 months and beyond will bring.

It is envisaged that this *Resilience Programme* would be more 'generic' and more of a 'drop-in' type facility than the support provided through the Digital Transformation and Incubation project, enabling businesses to access support as and when they need it and with a focus on the parts that would have most impact on them. It would focus on SMEs and the key issues covered would be:

- Evaluation of the business' existing capabilities and potential weaknesses
- Support to explore new opportunities
- Support to improve existing products and services and to introduce new services
- Support with improving sales, marketing and financial planning

We know that 99.4% of businesses registered in Basingstoke and Deane are classified as SMEs, creating a significant pool of businesses who could benefit from such support.

Alongside this, supporting business owners' mental health was one of the critical issues raised by a number of representative bodies consulted on ARG spend. Concerns over the sustainability of their business, the impact the pandemic is having on their staff and the feeling of being ill-equipped to deal with this impact is said to be limiting their opportunities for adaptation and growth.

To combat this, any business supported through our *Resilience Programme* would also be entitled to mental health support. As an example, the Federation of Small Businesses (FSB) offer a modified version of their care service to small business owners. This would enable individuals to access 12 months of 1-2-1 mental health support with a dedicated qualified professional and be provided with treatment by a third party up to the value of £200.

It is suggested that £0.15m is allocated to this project to commission the Resilience Programme support and the mental health provision.

### C. *Peer-to-peer, networks and training*

A key aspect of how businesses will be able to move beyond survival into recovery and subsequently a return to growth, will be through learning from others, sharing expertise and accessing specific events and training. Meeting new prospects through networking and engagement remains a critical part of how businesses operate, particularly for micro and small businesses. In a Hampshire Chambers of Commerce business survey in 2020, 60% of respondents stated ‘meeting new prospects’ as the priority action that would help drive their recovery.

Establishing a fund of £0.05M will enable us to:

- Procure expert facilitators to develop a peer-to-peer network for sector specific engagement and support
- Commission experts to deliver events on specific topics such as debt management, building a local supply chain, meet the buyer and adapting in a rural environment as well as sector specific events which can be recorded for wider utilisation
- Build a stronger range of events, such as Basingstoke Business Matters, that enable the Basingstoke business community to come together and learn from others

All of this work can be done in either a virtual or physical setting, although it is expected that the latter would deliver more of the benefits we are trying to achieve. We already have relationships with a number of potential providers so we know it is deliverable.

*D. Remainder reserved for collaborative working across region*

Through the co-facilitated workshops with Economic Development teams across the EM3 region, there was a clear desire to collaborate on funding business support that can be scaled to work across the region. Creating an offer that works across the whole EM3 region will help to achieve economies of scale and potentially increase value for money. However, it should also be noted that it is typical for these opportunities to take longer to come to fruition due to the need for agreement across 13 local authorities, all with slightly different priorities, funding availability and timescales.

It is therefore suggested that the remainder of our ARG funding is, for now, held back so that it can be utilised for a whole EM3 support project. Any funding not used of this allocation, including if a regional project is not achievable, could be used for other areas of ARG support as outlined above or used to set up another project.

*Summary*

<b>Option</b>	<b>ERF themes supported</b>	<b>Allocated Funding</b>
A – Digital Transformation and Incubation	Business support and entrepreneurship	£0.25m

	Technology and Innovation Sector Support Clean Growth	
B – Resilience Programme	Business support and entrepreneurship Jobs and Skills	£0.15m
C – Peer-to-peer, networks and events	Business support and entrepreneurship Sector Support Clean Growth	£0.05m
E – Reserved for later in 2021/22	TBC	£0.08m
Total		£0.53m

### 3 Key issues for consideration

#### *Financial support so far*

- 3.1 Since March 2020, the Council has acted with speed and efficiency in ensuring that eligible businesses have been supported to receive the grants and rate relief they are entitled to. Up until 2 February 2021, the Council has distributed over £63.0m in both direct grants and business rate relief. The vast majority of this funding has gone to businesses in the retail, hospitality and leisure sectors and small businesses across all sectors who have been financially impacted. Eligible businesses will have also have been able to apply for Government support through the Coronavirus Job Retention Scheme (CJRS) and accessed Government backed loans, including the Coronavirus Business Interruption Loan Scheme (CBILs) and Bounce back loans. As of 10 January, 1,854 businesses in the Basingstoke Parliamentary constituency (data does not exist at local authority level) have accessed loan support, to the value of £70.3m.
- 3.2 This support has been critical in enabling many businesses to stay afloat and to survive through both national lockdowns and tiered restrictions. Whilst the unemployment rate has already increased, the local distribution of grants and the national support of the CJRS has ensured that many residents have retained employment, even if they are not being fully utilised at the current time.
- 3.3 However, whilst direct grants are essential for short term support, they do not guarantee the long-term viability of a business and they do not necessarily represent good value for money. As well as this, whilst we have discretion

over how we use the grants, to ensure we are supporting a wide range of businesses, the ARG has not been utilised in a targeted way so far. Funding specific business support activity, whilst still potentially reaching a wide range of businesses, will enable the Council to take a more targeted approach to supporting businesses and an opportunity to provide help that might be more successful in enabling long-term viability.

*What do businesses need – engagement so far*

- 3.4 To help us to design business support activity against the demands of the business community, a number of conversations have been held with partner organisations to understand the needs of businesses they work with. This has included conversations with Federation of Small Businesses, Make UK, Hampshire Chambers of Commerce, the Chamber's Basingstoke Business Strategy Group, Hampshire County Council, Enterprise M3, IncuHive, Root 21 and representatives of the local rural business community. Alongside this, the Economic Development team has engaged with individual businesses throughout the pandemic, enabling us to understand what support they will need in the future.
- 3.5 Amongst these BROs and partners there was consistent feedback in terms of the themes of support they believed would be most beneficial to local businesses. This focused around business resilience and adaptability, digital upskilling and mental health support.
- 3.6 Separately, the Economic Development Manager co-facilitated four workshops with EM3 authorities to understand the needs of businesses from across the region and to consider opportunities for collaboration at a cluster or regional level.
- 3.7 It was decided that we would not attempt to survey individual businesses to understand their needs at this stage. We are aware of 'survey fatigue' (i.e. very few responses) being a factor and that the majority of businesses we are currently interacting with are focused on accessing short-term financial support. It is felt consultation with business will be more beneficial once we have a more developed sense of the type of support we would like to provide.
- 3.8 At this stage, it is very difficult to predict what the national, regional and local economy will look like in future years. Business and consumer behaviour will undoubtedly be changed but in exactly which ways is impossible to determine at the moment. Therefore, as consistent with the discussions held with BROs and partners, it is felt that support at this stage needs to focus on helping businesses be able to adapt to a new economic landscape and to be prepared for change whilst also being resilient to the fact that further economic shocks are likely over the next few years.

*Business support landscape*

- 3.9 It is worth noting the existing support that is already available for businesses within Basingstoke and Deane and hence what we would be at risk of duplicating through funding separate provision:

- *Brexit:* Enterprise M3 (EM3) have recently kick-started contracts with Newable, KPMG and Blueberry Marketing Solutions to provide support to businesses who need specific help with the impacts of Brexit on their business, including how to navigate through the changes it has presented. This will be in the form of 1-2-1 advice, sector specific webinars and events.
- *Exporting:* Hampshire Chambers of Commerce already provide specific support for businesses looking to support, including through certification, webinars and 1-2-1 advice. Not all support is restricted to those who are members.
- *Skills:* The Council, working as a partner to Hampshire County Council has supported the delivery of an Enterprise M3 Apprenticeship and Skills Hub which will support businesses to identify the right support them across the whole skills landscape. This provision is going to be launched during National Apprenticeship Week in February. The Innovation South Virtual Campus has also recently been launched by Basingstoke College of Technology among other partners to enable employers and residents to learn digital skills via an online platform.

### *Resourcing*

3.10 The delivery of business support activity funded through the Additional Restrictions Grant will be an important element of the delivery of the Economic Recovery Project, which in itself is a Council priority. However, this work will only be one workstream amongst many that will need to be delivered. Therefore it is worth considering that we utilise this funding for a focused number of deliverable projects rather than attempting to achieve too much or solve every problem the local economy is facing.

## **4 Options Analysis**

Option	Comments
Not utilise funding for business support activity and use all ARG funding for direct grants.	It is felt that whilst providing grants during periods of lockdown is important and will enable some businesses to survive, it is not providing them with the platform to adapt, change and potentially recover and grow.
Utilise the funding as outlined above to deliver a range of business support activity.	This will enable a wide range of businesses to access support from across multiple sectors and give them an opportunity to have a more resilient future even if they have not previously accessed funding support.

The preferred option is to utilise this funding for business support activity and to implement a range of support opportunities for business to access to ensure we are helping a wide spectrum of businesses across the borough in terms of both size and sector.

## **Corporate implications**

### **5 Legal implications**

- 5.1 The Council has broad powers under Section 2(1) of the Localism Act 2000 to do anything which they consider is likely to achieve promotion or improvement of the economic, social and/or environmental well-being of its area, including under Section 2(4) power to incur expenditure and give financial assistance (subject to the limitations in Section 3).

### **6 Financial implications**

- 6.1 On 31 October 2020, the Government announced the introduction of additional support for Local Authorities under national and Local COVID Alert Level 3 restrictions. This support will take the form of a funding scheme in Financial Year 2020- 2021 and can be used across Financial Years 20/21 and 21/22. The scheme is called the Additional Restrictions Grant (ARG) and is administered by business rate billing authorities in England.
- 6.2 Funding was made available to eligible Local Authorities at the point that national restrictions were imposed or at the point the Local Authority first entered LCAL 3 restrictions. The lump sum payment was paid using a grant under section 31 of the Local Government Act 2003.
- 6.3 The Council has been provided with £5.1m of ARG funding from government of which it was proposed that £0.53m is to be utilised for business support activities. This funding needs to have been allocated by 31 March 2022.

### **7 Risk management**

- 7.1 A risk assessment has been completed in accordance with the council's risk management process and has identified no significant (Red or Amber) residual risks that cannot be fully minimised by existing or planned controls or additional procedures.

### **8 Equalities**

- 8.1 When considering the impact of the proposed grants on the protected characteristics groups, and the implications for the Public Sector Equality Duty, it can be concluded that they would be positive for all local businesses that choose to apply for them. The specific support for business owners' mental health, via the Resilience Programme, would benefit all those involved as it will help to alleviate and manage the stress caused by the financial instability resulting from the pandemic.

## **9 Consultation and communication**

- 9.1 Unless requested by Cabinet, there are no plans for consultation on this issue. It is felt that sufficient engagement with businesses and the bodies that represent them has already taken place.
- 9.2 Communication and marketing of the support available will be critical. Once approved, this information on the support available will be shared through the council's corporate and business channels, including press releases, digital newsletters and social media. We will also work closely with partners to widen promotion of the schemes by encouraging them to share information with the businesses they represent. We will work with internal and external colleagues to ensure that protected groups are made aware of all the opportunities. If demand for the support is low, paid for advertising and marketing will be considered to help boost take-up levels.
- 9.3 It should be noted that economic recovery and the support being made available to businesses will be of particular interest to the local media, particularly in terms of how the support will help in the revitalisation of the town centre. We will continue to share information on business support and plans for the borough's economic recovery through the council's communication channels.

## **10 Climate change**

- 10.1 The impact of utilising the funding as recommended is expected to have a positive carbon impact, when compared to using all funding for direct grants. This is because this option allows us to align funding/support with other council priorities. As part of the Economic Recovery Framework, clean growth and climate change are seen as key elements. We would therefore look to ensure that all business support activities work in tandem with the priorities outlined in the Climate Change and Air Quality Strategy. There will also be opportunities to ensure that learning about clean growth and sustainability form a critical part of the support provided to businesses, including through events, peer-to-peer support and within the resilience and digital transformation activity.

## **11 HR**

- 11.1 The overall coordination and monitoring of any ARG business support activity will be delivered through the Economy and Culture team, although support will be required from other teams across the Council, including Procurement, Legal, Finance and Communications.
- 11.2 Additional resources are being considered for Economic Recovery as a Council project which will help to ensure there is enough capacity within the Economy and Culture team to deliver ARG business support as well as the other project workstreams.

## **Conclusion**

## 12 Summary and reason for the decision

- 12.1 This report outlines the approach to how the Council should utilise ARG funding to stimulate the recovery of the local economy. It presents three opportunities to be funded that will help businesses move from being in survival mode through to recovery and on the path to future growth.
- 12.2 It is felt that funding all three options, whilst retaining some funding should a future opportunity for regional collaboration become a possibility, offers the Council with the greatest chance to have a longer-term impact on local businesses above and beyond the impact we have already delivered through direct grants. Importantly, the three options would offer the support that businesses are stating they are in need of, are deliverable in the near future and would not duplicate activities already taking place.

**Date:**  
**Decision taken by: Cabinet/Council/Portfolio Holder**

<b>Lead officer</b>	Sue Cuerden, Executive Director of Corporate Services
<b>Report author</b>	Jack Kennedy, Economic Development Manager
<b>Version</b>	Cabinet
<b>Dated</b>	23/02/21
<b>Status</b>	Open
<b>Confidentiality</b>	It is considered that information contained within this report (and appendices) do not contain exempt information under the meaning of Schedule 12A of the Local Government Act 1972, as amended, and therefore can be made public.