

North Tyneside Council Report to Elected Mayor 28 May 2020

ITEM
Covid-19 Capacity
Fund Application

**Portfolio(s): Deputy Mayor and Finance
and Resources**

**Cabinet Member(s): Councillor B Pickard
Councillor R Glindon**

Report from Service

Area: Regeneration and Economic Development

**Responsible Officer: John Sparkes – Head of Regeneration and Economic
Development Tel: (0191) 6436091**

Wards affected: All

PART 1

1.1 Executive Summary:

This report is concerned with the bid to the North of Tyne Combined Authority (NTCA) Covid-19 Capacity Fund, by North Tyneside Council ('the Authority') to provide additional business, community and employability support to address needs occurring as a result of the Covid-19 pandemic.

The proposed programme will be delivered between 1 May 2020 and 31 March 2021 offering a package of support including a grant scheme and specialist advice to businesses, a grant scheme and employment funding for Community organisations, back to work employment support for residents and a marketing campaign for the town centres.

This report seeks approval to, once it has been approved by NTCA, receive grant funding totalling £1.5m to deliver the support programme.

1.2 Recommendation(s):

It is recommended that the Elected Mayor authorises:

1. the Head of Resources to accept the offer of the grant of £1.5m (subject to formal approval of the same, as above) from NTCA;
2. the Head of Regeneration and Economic Development in consultation with the Cabinet Member for Economic Development, Cabinet Member for Finance and Resources, Head of Resources and Head of Law and Governance to take all necessary steps to complete the grant funding agreement pursuant to the above; and
3. the Head of Regeneration and Economic Development in consultation with the Cabinet Member for Economic Development, Cabinet Member for Finance and Resources, Head of Resources and Head of Law and Governance to review the programme and re-allocate resources based on demand and in accordance with agreed criteria.

1.1 Forward Plan:

It has not been practicable to give twenty-eight days' notice of this report or to include this matter on the Forward Plan. However, it is required to be considered without giving such notice because the funding is needed urgently to support residents, businesses and community organisations suffering hardship due to Covid-19.

1.2 Council Plan and Policy Framework

This report relates to the following priorities in the 2020-2024 Our North Tyneside Plan:

Our people will:

- Be ready for work and life

Our economy will:

- Grow by supporting new businesses and building on our strengths
- Continue to support investment in our business parks, units and town centres
- Be business friendly. Ensuring the right skills and conditions are in place to support investment

1.3 Information:

1.5.1 Background

In March 2020 the NTCA Cabinet approved £5m of Investment funds to be delivered through the North of Tyne COVID-19 Capacity Fund, to support businesses, VCS organisations and residents across Northumberland, North Tyneside and Newcastle in response to the impact of the COVID-19 pandemic.

An operational delivery plan for the COVID-19 Capacity Fund was agreed at NTCA Investment Panel on the 7th April, which set out the eligibility criteria and delivery principles of the fund. Each constituent Local Authority was invited to apply for a programme of activity, up to a maximum value of £1.5m to cover support for business, support for VCS, employability & skills measures and town/city centre proposals.

The Regeneration and Economic Development Service led on a bid on behalf of the Authority which is outlined in section 1.5.4. of this report.

1.5.2 Existing Authority Business Support

The Business Rates Team are responsible for delivering up to 3,000 grants from Government to support business rates payers as a result of Covid-19. The Team have established a new online application process and have so far paid out over £26m in grants.

The current grants available are:

- Small business grant funding: £10,000 grant to properties with a rateable value of up to £15,000 that are in receipt of small business rate relief
- Retail, hospitality and leisure grant funding: £10,000 grant to eligible properties with a rateable value up to £15,000 or a £25,000 grant to eligible properties that have a rateable value of over £15,000 and less than £51,000

Eligible North Tyneside businesses can apply online here:

<https://my.northtyneside.gov.uk/category/1428/coronoavirus-covid-19-small-business-grants>

The Authority's Business and Enterprise Team have worked with the North Tyneside Business Forum to communicate with businesses and signpost to other assistance. Existing business support has been delivered by alternative methods to address the Covid-19 situation and lockdown. Regular meetings have taken place with the Cabinet Member for Economic Development to consider the actions the Authority can take now and how the Authority moves into the recovery phase. The Cabinet Member also sits on the Investment Boards of the North East LEP and North of Tyne Combined Authority where the wider recovery plans are being discussed. Any budgetary implications have also been discussed with the Cabinet Member for Finance and Resources.

The following actions have been delivered:

- Established a Business Helpline with experienced advisers from the Business Factory project (0191) 5166699
- Developed Frequently Asked Questions (FAQs) to assist businesses to find the answers quickly
- Set up a business support page on the Business Forum website with advice, FAQs, links to Gov support, etc www.northtynesidebusinessforum.org.uk
- Developed Business Forum Facebook & LinkedIn pages for businesses to interact and offer peer to peer support
- Helped promote the on online application form on the Authority's website which assists businesses to apply for the grant funds
- Sent out regular emails, social media posts and press releases promoting the support available
- Handled hundreds of enquiries from North Tyneside businesses
- Deliver business support appointments and workshops via email, video conferencing and Zoom
- Develop the Business Factory Online service to deliver support to entrepreneurs working from home including business planning tools, factsheets, videos and a business diagnostic review
- Aligned the three Chambers of Trade and the Business Forum to feed into the weekly Government returns to outline the gaps in the current business support provision and better understand the problems facing North Tyneside businesses

1.5.3 Existing Government Covid-19 Support

In recent weeks, a package of support has been brought forward by the Government including:

- Coronavirus Job Retention Scheme
- Self-Employment Income Support Scheme
- Protection from Eviction for Commercial Tenants
- Coronavirus Business Interruption Loan Scheme
- Coronavirus Bounce Back Loan Scheme
- Coronavirus package to protect firms driving innovation in UK
- Cash Grant for Retail, Hospitality and Leisure
- Small Business Grant Funding
- Statutory Sick Pay Rebate

- Time to Pay
- VAT Deferral
- Deferral of Self-Assessment Payment
- COVID-19 Corporate Financing Facility

This package of support continues to evolve. On Saturday 2 May 2020, the Government announced a discretionary fund aimed at supporting businesses that don't qualify for the existing business rates relief. This funding is aimed primarily at small (less than 50 employees) businesses with ongoing fixed property-related costs. The detailed guidance is being reviewed at the time of writing this report.

1.5.4 Key delivery initiatives for the grant from NTCA:

PROJECT	INITIAL ALLOCATION	DETAIL
Grant Scheme (businesses and social enterprises)	£800,000	<p>Small grants of £5k - £10k will be provided to businesses following an online application process.</p> <p>The resources available for the grant are not sufficient to cover every business falling through the gaps of the national schemes so we have targeted specific funds to cover the greatest financial hardship based on the feedback from businesses in North Tyneside. The total value of the funding available means that we are unable to offer meaningful grant support to medium and large businesses and have therefore targeted the support at 100 to 150 small businesses who are most at risk of going out of business.</p> <p>The grants will fill gaps in the Government schemes and will prioritise the following areas:</p> <ul style="list-style-type: none"> • Businesses in commercial premises who are not responsible for their own rates and therefore ineligible for the main grant • Manufacturing businesses working for the NHS supply chain who are unable to furlough staff • Businesses trading for less than 12 months in commercial premises that don't qualify for Government support • Independent retail, leisure and hospitality businesses with a Rateable Value over £51,000 • Discretionary Fund for those who have applied to NTC and are suffering financial hardship but do not qualify for any support through no fault of their own

Business Recovery (Specialist support for businesses)	£200,000	<p>SME support will be delivered through, in the first instance, an online information, diagnostic and brokerage (IDB) tool. The SME will then be able to access 100% towards consultancy support that will provide specialists in their field it will be reactive to the business needs and provide anywhere from 2 to 10 days of support. This does not duplicate currently delivery but will sit alongside and add value to the current ERDF projects and be provided through our already established Business Factory business support services.</p> <p>Funded diagnostic support and expert consultancy in a range of areas to assist businesses during the lockdown and into recovery, including:</p> <ul style="list-style-type: none"> • Diversification – Identifying new markets for existing products, skills or equipment • Business Rescue – Business and financial advice to assist businesses to trade out of difficulty or advise how they stop trading • Resilience Planning – Once in the recovery phase, ensuring businesses are ready for future disruptions • Trading Online – Ensuring retailers and other businesses are set up to trade online
Town Centres (Marketing)	£50,000	A marketing campaign to encourage residents to start using the town centres again. A flexible programme will be developed to mitigate against future lockdown scenarios with a focus on regular visits to town centres rather than mass gatherings.
Neighbourhood Assistance (VCS Grants)	£50,000	Small grants to support neighbourhood help schemes, voluntary helpers and organisations - deliver up to 50 £1,000 to £2,000 grants
VCS Projects (VCS Employment support)	£150,000	<p>As a direct result of the COVID-19 Pandemic the VCS have for business resilience reasons had to furlough most staff with feedback suggesting that they will not be able to retain European Social Fund (ESF) project staff once the furlough scheme ceases due to loss of income during the lockdown period. Currently the VCS provides 50% of the match funding thorough staff salaries to two ESF projects with ESF supporting the remaining 50%. This project will provide the VCS match element once the project resumes and staff return from furlough. Without the match funding the projects will become undeliverable</p> <p>The proposed activity is to support the VCS sector to enable them to continue to deliver the ESF projects</p>

		<p>so they can provide a quick and responsive support in an already existing project with the infrastructure to deliver services to North Tyneside residents placing them into employment/job search/volunteering.</p> <p>Project beneficiaries are those who have special characteristics with emphasis on young people, women and those over 50, recent statistics show are most likely to be affected by the crisis. Is imperative that we continue to support our unemployed residents, both following lockdown and in its immediate aftermath to do this we need to ensure that the staffing infrastructure necessary to deliver the projects is secured.</p>
<p>Back to Work (Employment & Skills support for residents)</p>	<p>£250,000</p>	<p>The COVID-19 situation has had a dramatic impact on the ability of businesses to maintain normal operations and this is significantly affecting employees with a huge number being supported by the Government's furloughed workers scheme and others in large numbers making claims for Universal Credit after being made unemployed.</p> <p>The increase in Universal Credit claims has placed significant demands upon Jobcentre Plus with staff across the organisation being redeployed to assist with processing benefit applications and making claims. This has impacted on Jobcentre Plus capacity to provide job search and job brokerage services to unemployed residents and in providing services to businesses who might be at risk of or are making staff redundant.</p> <p>Our proposal is to provide a 'Rapid Back to Work Service', which will be coordinated by the North Tyneside Employment and Skills Service but will work across the North Tyneside Employability Partnership, including Jobcentre Plus and local employment and skills providers, to provide flexible, immediate and responsive support to address employment issues faced by businesses and individuals.</p> <p>Support for the unemployed including those expected to be impacted the most by the current lockdown including young people who are at risk of or find themselves NEET (aged 16-18) or unemployed (18+), women, older workers, single person households, graduates and low paid workers.</p> <p>The Team will work outside of the current constraints of European Social Fund (ESF) projects</p>

		<p>to provide complete flexibility to assist recovery, this includes providing in and out of work support. The support will be short and sharp support for businesses and jobseekers to regain and retain employment focused on key sectors most affected by the current shutdown including retail, leisure, transport and hospitality.</p> <p>Flexible funding for travel, clothing, equipment etc. for individuals and businesses will also be included to address any immediate barriers to recruitment and employment that exist that can be addressed quickly to facilitate recovery.</p>
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1.5.5 Delivery Model

The project will be delivered by the Authority’s staff wherever possible with specialist business consultancy provision provided through an extension to the existing Business Factory project in order to commence delivery of services quickly. The Business Factory project was openly procured and is working successfully through a performance-related contract.

It is anticipated that the priorities of the project will change in line with the progress of Covid-19, lockdown guidance, client demand and additional Government support measures. Since the funding application was submitted to NTCA, Government have announced a discretionary fund to support businesses unable to access the existing grant schemes which is likely to duplicate parts of the grant scheme outline in this report. It is therefore essential that the delivery model and allocation of resources remains flexible in order to adapt to demand and avoid duplication with other Government support.

1.6 Decision options:

The following decision options are available for consideration by the Elected Mayor :

Option 1

To approve the recommendations set out in paragraph 1.2 of this report to accept the offer of NTCA funding (and delegate authority to deliver the project as set out in this report.

Option 2

Not to approve the Authority’s offer of grant funding (if approved) and for the Authority to not deliver additional services to residents, businesses and community organisations.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

Option 1 is recommended for the following reasons:

Accepting the NTCA grant offer (if approved) will provide the resources needed to deliver a programme of support to residents, businesses and community organisations suffering hardship from the Covid-19 pandemic.

1.8 Appendices:

Appendix: None

1.9 Contact officers:

John Sparkes – Head of Regeneration and Economic Development, tel. 0191 643 6091

Sean Collier – Senior Manager - Business and Enterprise, tel. 0191 643 6409

Claire Emmerson – Senior Manager – Financial Strategy and Planning, tel. 0191 643 8109

Andrew Scott – Senior Client Manager - Revenues, Benefits & Customer Services, tel. 0191 643 7150

1.10 Background information:

The following background paper has been used in the compilation of this report and is available at the office of the author:

(1) NTCA Covid-19 Capacity Fund Application Form

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

The Authority is accountable to NTCA for the financial management of the grant. No additional funding is required.

The Authority will use a ring-fenced account and additional financial controls to maintain transparency in the flow of funding in and out of this account. This will ensure that upon auditing the flow, and utilisation of the grant funding provided by the Authority can be checked.

2.2 Legal

2.2.1 Funding Terms and Conditions

In terms of the grant funding, the Authority must adhere to NTCA's terms and conditions of funding. These terms shall be reviewed by the Head of Law and Governance.

2.2.2 Procurement

All goods and supplies will be sought by open tender with the exception of the consultancy contract where a waiver will be used to extend the existing contract. The Authority will ensure that the appointment of services will be procured in accordance with the thresholds and obligations set out in the Grant Funding Agreement and in accordance with The Public Contracts Regulations 2015 and EU Procurement rules, following the EC Treaty Principles of openness, transparency, fairness and equal treatment. These principles will underpin our whole procurement process.

All procurement exercises will be procured by the Authority's Procurement Team and advertised on the NEPO portal. All records will be held with the project and will be the responsibility of the project manager to ensure that all evidence is in one place and easily

available for audit.

2.2.3 State Aid

The State Aid position of all the organisations or groups involved in this project has been considered and the following conclusions reached:

North Tyneside Council – it is proposed that North Tyneside Council will receive no benefit from its handling of State funds because it will receive no more than actual cost recovery for its part in delivering this project.

Procured Contractors – where used to deliver services or supplies in the pursuit of project activities, are potentially recipients of State Aid. However, as the project will be procured contractors appointed in an open and competitive manner and services purchased at market rate, there will be no State Aid granted to these companies and suppliers.

SME Beneficiaries – as undertakings companies supported will benefit from State Aid which will serve to sustain viability during a time of crisis and enable the safeguarding of jobs all of which could distort competition and affect trade within the EU.

As a result, all SME's receiving support through this project will be in receipt of State Aid, as follows:

De Minimis is the only option for giving aid in the form of information, diagnostic and brokerage and small grant support because no financial contribution will be received from the SME towards the cost of the support, and therefore the effective aid intensity will be 100%. This aid is therefore incompatible with GBER. (General Block Exemption Regulation).

The project will rely on the temporary exemption framework up until the 31st December 2020. This exemption allows grants of individual benefit up to €800,000 per undertaking. In order to be used we will ensure that certain key conditions are met:

- Ensure the recipient of aid has sufficient headroom to receive the funding (i.e. cumulated with any other COVID-19-related benefits under the Temporary Framework up to a maximum of €800,000);
- The aid will only be granted to undertakings that were not "in difficulty" on 31 December 2019.
- Establish a clear connection to the need for funding and the Coronavirus.
- The aid will be contracted, grant agreement signed, no later than 31 December 2020, grants can then still be distributed into 2021.

From the 1st January 2021 the rules applied will revert to the post 1st February 2020 exemption rules. The Authority will rely on De minimis and ensure that the aid provided to an SME does not exceed the €200,000 limit over the previous 3-year period and checks made to confirm that the SME is not an undertaking in difficulty.

2.2.4 De-Minimis regulation

To meet the de-minimis aid obligation the Authority will:

- Have a mandatory requirement for each SME to complete a declaration setting out:

- any de minimis aid it has received over the last 3 years, to ensure that there is scope within the limit for the aid proposed by the Authority. If an SME has already received aid within the 3 year period that would result in the SME exceeding the maximum de minimis aid permitted, the Authority will decline to provide additional aid; and
- agreement from the SME to financially indemnify the Authority in the event that information provided by the SME in the declaration for de minimis aid is found to be incorrect or misleading in order to provide de minimis aid;
- Accurately value the aid it is providing to the SME and inform the SME of this figure and inform that this figure must be provided by the SME in the future, if the SME is to receive any further de minimis aid from the Authority or any other source of public funding;
- Each SME granted State aid will be logged onto a spreadsheet with date, number of hours allocated and value in euros. The project manager keeps an up to date spreadsheet with all the aid received that can be sorted by SME to track amount of aid given to ensure no breach of State Aid.

2.3 Consultation / community engagement

A full consultation process has not been possible due to the pace at which the scheme was announced and required submission of the funding application. Projects have been developed by lead officers from the employment and skills, business support and voluntary sectors based on previous consultations, feedback and existing programmes. The proposed programme of support has been developed in consultation with Newcastle City Council and Northumberland County Council to ensure that there is a consistent offer across the North of Tyne Combined Authority area whilst still addressing local needs.

2.4 Human rights

There are no human rights issues arising from this report

2.5 Equalities and diversity

The funding is directly targeted at vulnerable and under-represented groups in order to increase their participation in employment activities. Those involved in the project will commit to appropriate Equal Opportunities legislation and relevant advisory bodies to whom they can refer where appropriate. The programme being delivered has been designed to combat the multiple barriers faced by the target groups across all stages of design and delivery. Marketing and publicity will take account of the various needs and characteristics of the target groups in order to maximise the levels of engagement. The programme's targeted nature goes beyond equality of access and seeks to proactively re-engage those who have been disadvantaged by their circumstances.

2.6 Risk management

Project management arrangements include the establishment of a project steering group which will create and manage a risk register for the initiative. The register will identify key risks and appropriate mitigation of those risks.

2.7 Crime and disorder

There are no crime and disorder issues directly arising from this report. The proposed programme will support the objective of the Safer North Tyneside strategy to reduce crime. The initiative aims to target ex-offenders and assist them find sustainable

employment.

2.8 Environment and sustainability

There are no environment and sustainability issues arising from this report.

PART 3 - SIGN OFF

- Chief Executive
- Head(s) of Service
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Head of Corporate Strategy and Customer Service

