

---

## NORTH AYRSHIRE COUNCIL

27 April 2021

### Cabinet

---

**Title:** Discretionary Fund

---

**Purpose:** The purpose of this report is to update Cabinet on the first phase of Discretionary Funding and seek approval for proposals to redesign the fund in response to additional resources now agreed.

---

**Recommendation:** That Cabinet:

- a) Notes the proposed changes to the North Ayrshire Discretionary Fund;
- b) Approves the updated Discretionary Fund criteria set out in Appendix 1;
- c) Notes the proposals for a new North Ayrshire Business Transition Fund; and
- d) Approves the new Transition Funds criteria set out in Appendix 2.

---

### 1. Executive Summary

- 1.1 The previously allocated national funding provided to Local Authorities for Discretionary Funding business support schemes related to Covid has now been increased from £30m to £120m. North Ayrshire's allocation has risen from £0.462m to £2.124m.
- 1.2 The approach to the Discretionary Fund presented to Cabinet in February 2021 was predicated on the initial funding awarded and before this additional funding was confirmed.
- 1.3 The initial first phase of grant payments under the Discretionary Fund have been issued and this has provided clarity on local need. In addition, national business support schemes are now embedded and there is more clarity on those businesses that are still in need of financial support as a result of the impact of COVID.
- 1.4 The added intelligence and additional funding resource has allowed for a reshaping of the North Ayrshire Discretionary Fund offer and with the additional budget allocation a new Transition Fund is being created to support businesses towards recovery.

## **2. Background**

- 2.1 On 23<sup>rd</sup> February 2021 Cabinet agreed the criteria for the delivery of North Ayrshire Council's Discretionary Fund (DF). This was in response to Scottish Government announcing the creation of a £30m Discretionary Fund to allow Local Authorities to provide additional support for business. North Ayrshire's initial allocation was £0.462m
- 2.2 The Discretionary Fund was launched on 1<sup>st</sup> March 2021 and as at 29<sup>th</sup> March 2021 we have 128 applications approved for the fund and 22 under review with applications still open. Successful applicants were awarded a £2k grant. The group identified for this fund were predominantly small businesses with no business premises and those that were unable to access the Strategic Framework Business Fund.
- 2.3 On the 10<sup>th</sup> February 2021 the Cabinet Secretary for Finance announced an increase to the Fund to £120m. North Ayrshire will receive a further £1.662m taking the total allocation to £2.124m.
- 2.4 The purpose of this fund is to mitigate the short-term financial challenges being experienced by businesses adversely impacted by restrictions and regulations introduced since October 2020. Since its initial creation, additional guidance on the fund has recently been received with the main change from the previous guidance being that Local Authorities may now consider businesses with up to 250 staff.
- 2.5 The process of delivering the previously approved £2,000 Discretionary Fund grant throughout March 2021 has allowed for officers to assess the further business support funds released nationally, the needs of business, demand for the fund and to further identify those businesses that are continuing to fall through the gaps in COVID business support. Key findings are noted as:
  - Applications for the Discretionary Fund are lower than anticipated. Very few applications have been received from those businesses with 10+ employees;
  - Approximately 60 businesses (10+ employees) have been identified from within our active and potential for local growth portfolio that have been affected but have had no Scottish Government support since restrictions began in October 2020;
  - 75% of these are within engineering, manufacturing, construction, or associated services.
  - Other sectors include healthcare, wholesale, transport and distribution and printing.
  - Additional challenges evidenced due to lack of income are costs associated with new ways of working, development of new processes to reflect new markets, upgrading systems to reflect new regulations and inability to diversify/implement change.
- 2.6 Given the increased financial allocation, changes to the fund guidance and local intelligence secured through the first phase of delivering the Discretionary Fund, it is proposed that this scheme should be updated to provide increased support and address the business needs identified.

### Discretionary Fund Proposals

The Discretionary Fund is to be expanded to reflect changes to guidelines and redesigned as a tiered grant system to reflect size of business based on employee numbers as follows:

No of employees	Value of Grant
• 1-10	£4k
• 11- 20	£10k
• 21- 30	£20k
• 31 +	£25k

Analysis of the business base has identified this would be more appropriate given the differing size of businesses not receiving support, their need and the impact of COVID on their businesses. It is proposed that all those that have already received a £2,000 payment will receive an incremental top up payment to reflect tiers above. As a result of the majority of applicants to date being in the 1- 10 employee's category, they will receive a further £2k support. It is anticipated that the widening of the criteria and the additional support will attract a further 100 businesses helping to sustain a significantly higher number of jobs. The financial intervention will also go some way to alleviate the challenges faced with new ways of working.

A copy of the new eligibility criteria is attached at appendix 1.

#### New Transition Fund

It is proposed to allocate £500,000 for a new North Ayrshire Business Transition Fund for businesses impacted financially by Covid restrictions that are unable to finance new ways of working or new processes. This fund would be utilised where a Digital or Green solution is identified. This fund will help alleviate immediate financial distress when implementing required operating practices and new ways of working. This fund also has a synergy with on-going work to support digital adoption and can be seen as a forerunner to the recently announced Green Jobs Fund.

A copy of the eligibility criteria and further details is attached at appendix 2.

- 2.7 We have discussed proposals with East and South Ayrshire Councils and we are linked into discussions on this fund across all Local Authorities through professional networks. There is some consistency of approach with how these funds are being used by Councils but also a recognition that through this scheme there is flexibility for each local economy to respond to their different needs and priorities. There is a consistency of value of awards (£4k grant for 1-10 employee businesses) with other national grants e.g. Newly Self-Employed Hardship Grant/ Mobile Close Contact Grant. There will be differences in approaches across Council areas but North Ayrshire's success to date in providing extensive support to local business has allowed a strong evidence base to inform our approach in amending and designing these schemes.

### **3. Proposals**

3.1 It is proposed that Cabinet:

- a) Notes the proposed changes to the North Ayrshire Discretionary Fund;
- b) Approves the updated Discretionary Fund criteria set out in Appendix 1;
- c) Notes the proposals for a new North Ayrshire Business Transition Fund; and
- d) Approves the new Transition Funds criteria set out in Appendix 2.

### **4. Implications/Socio-economic Duty**

#### **Financial**

4.1 The proposals will be fully funded from our allocation of monies from Scottish Government and notification of award has been received.

#### **Human Resources**

4.2 The Discretionary Fund and Transition Fund will be delivered by Business Development existing resource.

#### **Legal**

4.3 None.

#### **Equality/Socio-economic**

4.4 The fund aligns to Community Wealth Building principles and will help some of the most impacted businesses in the area.

#### **Environmental and Sustainability**

4.5 The Transition fund will have a Digital and Green focus which coincides with North Ayrshire's sustainability agenda.

#### **Key Priorities**

4.6 The report covers information relevant to the following Council Plan priorities:

- North Ayrshire has an inclusive, growing and enterprising economy
- North Ayrshire is a sustainable environment
- North Ayrshire is a vibrant, welcoming and attractive environment

#### **Community Wealth Building**

4.7 Although this fund is a direct response to the Covid pandemic, it will support CWB principles in that it will help safeguard many of our smaller businesses who underpin our local economies.

## **5. Consultation**

- 5.1 Engagement has taken place with the East and South Ayrshire Councils as well as Scottish Enterprise.

RUSSELL McCUTCHEON  
Executive Director (Place)

For further information please contact Matt Strachan, Senior Manager Business Development, on 01294 310658.

## **Background Papers**

Appendix 1:-Amended Discretionary Fund Criteria  
Appendix 2:-Transition Fund Eligibility

## **Appendix 1 - Discretionary Fund**

The Discretionary Business Fund aims to provide a grant to local businesses that are experiencing immediate financial challenges as a result of the COVID-19 restrictions and regulations but have not been able to access the Strategic Framework Business Fund or other business grant funds provided by the Scottish Government. This fund aims to assist businesses that have been without financial support since October 2020.

The discretionary fund provides funding based on the number of employees within an eligible business as follows:

No of employees	Value of Grant
1-10	£4k
11-20	£10k
21-30	£20k
31 +	£25k

### **Eligibility Criteria:**

- Business must be micro, small and medium-sized enterprises (250 employees or fewer) and the self-employed.
- Must be ineligible for any scheme of support introduced since October 2020;
- Business is not connected to a tax haven, as set out in the Coronavirus (Scotland) (No 2) Act 2020;
- Must be able to present robust evidence (e.g. profit and loss accounts, invoices and receipts, details of contracts lost, cancelled booking diaries/work schedules, cancelled customer bookings) to show that income has been negatively affected by Covid Restrictions to at least 30%;
- Must provide details and evidence of a business bank account (in the form of an uploaded bank statement) into which grant payments will be made (in the case of self-employed discretion will be applied as long as there is clear evidence of trading from the personal bank statements provided);
- Business premises (where applicable) must be registered for non-domestic rates. Businesses that pay rates through their landlords rather than directly must provide evidence of this.
- Business has not breached wider COVID regulations/requirements leading to enforcement action.
- Open to Limited Companies (including Scottish Charitable Incorporated Organisations and social enterprises), Sole Traders, Trusts, Partnerships, Community Interest Companies, freelancers or the self-employed.
- Non premise-based businesses will be required to provide evidence to demonstrate proof of identity (e.g. passport) and address (e.g. Council tax bill, utility bill);
- Businesses will be required to provide evidence of active trading in the period before restrictions came into place on 9 October 2020; and

- Self-employed will be required to confirm that self-employment makes up at least 50% of their income from employment.

### **Delivery Process**

- Applications for support 1-10 staff will utilise current DF process. This reflects the requirements of phase 1 and grant award letter form Scottish Government
- Applications for businesses 11+ will be delivered through NAC's current internal process for grants as additional funding is provided under General Revenue Grant.
- Businesses who have been paid current £2,000 payment will receive an incremental top up payment to reflect tiers.

## **Appendix 2 - Transition Fund Proposal**

### **Overview**

Engagement with businesses during the Covid restrictions has highlighted a number of areas of concern. Immediate financial distress, changes to operating practices and additional regulations have left many businesses with inadequate financial power to adapt to the changing landscape. Additional challenges created due to lack of income are costs associated with new ways of working, development of new processes to reflect new markets, upgrading systems to reflect new regulations and inability to diversify. Many businesses are highly leveraged due to taking on new borrowing and complemented by furlough and grant schemes to support survival in an unprecedented economic climate

As a direct result of the restrictions, many businesses have experienced their markets reduce, supply chain disruption and a requirement to shift to a more digital offering.

It is proposed that North Ayrshire set up a Business Transition Fund that supports businesses who are not able, due to immediate financial pressures, adapt to new ways of working or to make investment to remain competitive because of the recent Covid restrictions.

Businesses have identified that as a direct result of COVID digital support and adoption is paramount to survival and will require investment or many will fail. Although digital is paramount it is expected that other areas of support will be required as businesses are forced to operate differently. The support provided will seek to ensure investment/new ways of working are as Green as possible and supportive of the Council's net zero target.

### **Proposal: Transition Fund £500k**

- Up to £20k for businesses who are affected financially by the pandemic and limits their ability to trade as a result e.g. implementation of new systems, new ways of working, new machinery, investment in green technology to reduce costs etc.
- Fund to be linked to a digital or green solution and new ways of working.
- A needs based assessment will determine grant offer : e.g. if a business has no available money, a 100% of project costs will be considered or if they need additional funds to implement projects we will pay the appropriate % to allow it to happen.
- Assessment of applications will be made by the Business Growth Team and will include a full Business Action Plan.

### **Eligibility Criteria:**

- Business must be micro, small and medium-sized enterprises (250 employees or fewer) and the self-employed.
- Must be able to present robust evidence (e.g. profit and loss accounts, invoices and receipts, details of contracts lost, cancelled booking diaries/work



schedules, cancelled customer bookings) to show that income has been negatively affected by Covid Restrictions to at least 30%;

- Must be able to demonstrate the impact and immediate need for investment and associated financial restrictions placed on business.
- Must provide details and evidence of a business bank account (in the form of an uploaded bank statement) into which grant payments will be made (in the case of self-employed discretion will be applied as long as there is clear evidence of trading from the personal bank statements provided);
- Business premises (where applicable) must be registered for non-domestic rates. Businesses that pay rates through their landlords rather than directly must provide evidence of this.
- Business has not breached wider COVID regulations/requirements leading to enforcement action.
- Open to Limited Companies (including Scottish Charitable Incorporated Organisations and social enterprises), Sole Traders, Trusts, Partnerships, Community Interest Companies, freelancers or the self-employed.
- Non premise-based businesses will be required to provide evidence to demonstrate proof of identity (e.g. passport) and address (e.g. Council tax bill, utility bill);
- Businesses will be required to provide evidence of active trading in the period before restrictions came into place on 9 October 2020.
- Self-employed will be required to confirm that self-employment makes up at least 50% of their income from employment.
- Business is not connected to a tax haven, as set out in the Coronavirus (Scotland) (No 2) Act 2020.

## **Delivery Process**

- Applications will be delivered through NAC's current internal process for grants and assessed by the Business Development Team
- An adviser will work with each business to develop a Business Action Plan as part of the assessment process to develop further opportunities for support.