

Cabinet

13 January 2021

Grant Support for Business Recovery

Ordinary Decision



Report of Corporate Management Team

Amy Harhoff, Corporate Director of Regeneration, Economy and Growth

Councillor Carl Marshall, Cabinet Portfolio Holder for Economic Regeneration

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To seek Cabinet's approval for a package of measures to support County Durham businesses to recover from the impact of COVID-19 in order to safeguard jobs and facilitate economic recovery.

Executive summary

- 2 The Council recognises the impact that COVID-19 has had on its communities and local economy and has responded well with a series of measures to offer short-term support to both people and businesses.
- 3 It is clear that the economic impact of the pandemic on businesses and employment in the County has already been significant, and that the full extent of the impact has yet to be realised. Following the national lockdown in November 2020, the introduction of local tiered restrictions in the lead up to Christmas, and the latest Tier 4 restrictions, businesses continue to face challenges in being able to return to normal trading, and are experiencing increased costs of adapting workplaces and methods of operation at the same time as suffering reduced levels of income.
- 4 Economic recovery is going to take many months, if not years, and whilst the Government's extension to April 2021 of the package of measures to support jobs is welcome, businesses in the County also need additional support to be able to implement plans to adapt and recover.

- 5 It is therefore proposed that the Council introduces a £5 million Business Recovery Grant Scheme, open to businesses located in the County in all sectors, in order to provide financial support for the implementation of business recovery plans. This sum can be funded from a combination of the Council's own General Fund resources and from an allocation from the Additional Restrictions Support Grant (ARG).
- 6 The proposed grants are not intended to provide crisis funding, general working capital or subsidise losses, as this is the role of the Government-backed support and loan schemes, and the local restrictions support grants. The Durham Business Recovery Grants will be aimed at businesses that have a credible plan to adapt and recover but require additional financial support to be able to implement it.
- 7 The scheme has been carefully positioned in order that it meets identified gaps in support and does not duplicate existing grant schemes. Also that the scheme is flexible enough to offer appropriate support to all sectors and sizes of business in the County, from self-employed and micro-businesses through to companies employing up to 250 people in the County.
- 8 The proposed scheme will offer grants of £1,000 up to a maximum grant of £40,000 and the grant intervention rate for each project will be 75%, meaning that the business will be expected to pay for a quarter of the cost.
- 9 It is estimated that a £5 million budget would enable at least 880 businesses to be supported and could help to safeguard over 1760 jobs.
- 10 Introduction of the Durham Business Recovery Grant Scheme will support businesses in the County to recover from the impact of Covid, and will help to protect jobs, and the County's economy, for the longer term.

Recommendations

- 11 Cabinet is recommended to:
 - (a) agree to establish a Business Recovery Grant Scheme;
 - (b) agree to provide a budget of £5 million for the scheme and note that £3 million will be made available from the General Fund alongside a £2 million contribution from the Additional Restrictions Support Grant;
 - (c) authorise the Corporate Director of Regeneration, Economy and Growth, in consultation with the Corporate Director of Resources and the Portfolio Holder for Economic Regeneration, to agree the detailed administration arrangements for the scheme;

- (d) delegate authority to the Corporate Director of Regeneration, Economy and Growth to approve the individual business grant offers made in accordance with the scheme;
- (e) note the additional support being provided to micro businesses through the Durham Business Opportunities Programme;
- (f) note that there may be a need to consider additional grant support for start-up businesses and receive a separate report on this in due course.

Background

- 12 The Council recognises the impact that COVID-19 has had on its communities and local economy and has responded well with a series of measures to offer short-term support to both people and businesses.
- 13 It is clear that the economic impact of the pandemic on businesses and employment in the County has already been significant, and that the full extent of the impact has yet to be realised. Following the national lockdown in November 2020, the introduction of local tiered restrictions in the lead up to Christmas, and the latest Tier 4 restrictions, businesses continue to face challenges in being able to return to normal trading, and are experiencing increased costs of adapting workplaces and methods of operation at the same time as suffering reduced levels of income.
- 14 The Government has extended the Job Retention Scheme and the Self Employed Income Support Scheme until 30 April 2021, together with extensions and extended repayment periods on the various loans and tax deferral schemes. Local restrictions support grants were also introduced to support businesses in the Hospitality and Leisure sectors in Tier 2, Tier 3, and now the Tier 4 areas that are severely impacted by the restrictions on socialising or are required to close.
- 15 These measures are welcome to assist businesses with cash flow and job retention, but businesses in the County also need additional support to be able to implement plans to adapt and recover.
- 16 It is therefore proposed that the Council introduces a Durham Business Recovery Grant scheme, open to businesses located in the County in all sectors, in order to provide financial support for the implementation of business recovery plans in 2021.

Grant Scheme Design and Eligibility

- 17 The Business Recovery Grants will be aimed at businesses in the County that have a costed, credible plan to adapt and recover, but require additional financial support to be able to implement it, due to the impact of the pandemic on their finances.
- 18 The scheme has been positioned to complement, but not duplicate the existing sources of grant support available to County Durham businesses, including those that are already managed by Business Durham (see Appendix 2). Analysis of these indicates that there are two main gaps in the support available:
 - (a) Grants to implement recovery plans
- 19 There are a number of programmes, such as those provided by NBSL and RTC, that support companies with accessing consultancy support and advice to draw up recovery and growth plans, but there are few grants of

any size available to help the business with the costs of implementing the plans.

(b) Grants for businesses ineligible for ERDF funded schemes

- 20 The majority of the existing small grant schemes are ERDF-funded and therefore have eligibility restrictions which mean sectors that have been more severely impacted by COVID 19, such as retail, hospitality, tourism, leisure and local services, do not qualify for support from these schemes. There are also some businesses that employ fewer than 250 people in the county but do not meet the EU definition of an SME due to being part of a larger group, and are therefore unable to access the existing ERDF funded grant support.
- 21 It is therefore proposed that the Durham Business Recovery Grant scheme should have flexibility to provide both small grants from £1,000 to £10,000, and larger grants from £10,000 up to a maximum of £40,000, in order to address the two gaps identified above.
- 22 The key eligibility criteria for the Durham Business Recovery Grant scheme will be that each business must be able to evidence:
- it is based in County Durham;
 - it has a business bank account;
 - it has experienced a negative impact on sales and income as a result of COVID 19;
 - it has a costed and credible plan to adapt and recover;
 - the costs cannot be met from another grant scheme.
- 23 Businesses based in County Durham that employ up to 250 people within the County, in all sectors will be able to apply. This will include the self-employed; micro businesses (defined as those with less than 10 employees); small businesses (defined as those with 10-49 employees); and medium-sized businesses (defined as those with 50-249 employees). It will also allow larger businesses with headquarters outside the County to be eligible where they employ up to 250 people in the County - the grant may support local management in any internal discussions aimed at preventing job cuts or closure in the County.
- 24 However, it should be noted that voluntary and community organisations and charities will not be eligible for the Business Recovery Grant scheme as there are other sources of support for the voluntary and community sector including through the AAPs, County Durham Community Foundation and the Big Lottery.

- 25 Eligible business project costs will include capital or revenue expenditure towards costs such as, but not limited to:
- (a) costs of adapting operational models and working practices in order to meet COVID-secure requirements;
 - (b) other adaptations to premises or business models to attract new customers or visitors;
 - (c) digitalisation (where this cannot be funded through other schemes);
 - (d) new product development that is close to completion and with obvious market prospects;
 - (e) marketing support or support with certification costs to enter a new market;
 - (f) new machinery or equipment to allow new products to be made and/or new markets to be entered;
 - (g) specialist external support to meet a defined need that will increase sales.
- 26 A copy of the draft guidance for applicants on eligibility and eligible expenditure is attached as Appendix 4.

Size and Scale of Support

- 27 It is proposed that the grant intervention rate for each project should be 75%, meaning that the business will be expected to pay for a quarter of the project cost, with the grant meeting three quarters of the cost up to the maximum levels allowed in line with the scheme. The typical intervention rate for most of the existing business support grants is between 35-50%. However, a higher intervention rate is proposed for the Durham Business Recovery Grant because it is recognised that many companies are already facing cashflow issues as a result of the pandemic. As the furlough scheme and other Government support measures come to an end, businesses will also have to start to repay the various loan and deferment support received, meaning a substantial intervention will be necessary to enable them to afford to implement their recovery plans. Requiring each company to invest a quarter of the project cost will discourage infeasible schemes or businesses that are not viable.
- 28 Ordinarily, grants of these kinds would constitute State Aid under European Union regulations. The current rules ceased to apply to Great Britain at 23:00 on 31 December 2020 and it is not currently known what will replace them. The Government has indicated that it intends to consult on a new regime in the New Year. Notwithstanding the above, the Council will administer the scheme as if the State Aid rules still apply and award funding under the de minimis exemption. Businesses applying for the grant

will be required to declare any de minimis State Aid that they have received in the last three years as part of the application process.

- 29 In order to meet likely demand and make an impact on business recovery, it is anticipated that a budget of £5 million will be required, modelled as follows:

	<u>Average grant*</u>	<u>No. of Businesses*</u>	<u>Total Cost</u>
Small grants (£1-£5k)	£3,000	645	£1,935,000
Medium grants (£5-10k)	£7,000	170	£1,190,000
Large grants (£10-40k)	£25,000	65	£1,625,000
Administration @ 5%			£250,000
Total		880	£5,000,000

** Note that the average grant and potential number of businesses shown in the table above are for modelling purposes only. The actual number of businesses assisted and amounts of grant awarded will be dependent upon the applications that come forward*

- 30 It is anticipated that the highest demand will be for small grants of £1,000-£5,000. This is based on the following factors:
- (a) recent experience of the high levels of demand for the SME Restart and Kickstarting Tourism Grants that were made available through the North East Growth Hub;
 - (b) the number of retail, tourism, and hospitality businesses in the County that need to make adaptations in order to be able to continue to operate;
 - (c) the significant number of micro businesses in the County (see Appendix 3).
- 31 As a conservative estimate for modelling purposes it has been assumed that each business receiving a grant to enable them to adapt and implement a recovery plan could safeguard 2 jobs, although it would be expected in practice that the larger grants would have greater impact on the safeguarding of jobs. On this basis, supporting 880 businesses could help to safeguard at least 1,760 jobs in the County.
- 32 This investment is a high priority to ensure the council can support businesses to recover from the pandemic. To support the investment budget required, £2 million is being made available from the Additional Restrictions Support Grant with £3 million coming from the Council's own

General Fund resources. In the Quarter 2 Forecast of Outturn report the Council was forecasting to have a General Reserve balance of £20 million at 31 March 2021. The Additional Restrictions Support Grant (ARG) is one off funding provided by the Government in year to help meet the cost of support to businesses up to 31 March 2022. The ARG is being used to fund discretionary business rates grants to businesses impacted by national and local restrictions – principally in the hospitality, leisure and accommodation sectors that have been most impacted by these restrictions.

Grant Administration and Application Process

- 33 The scheme will be promoted and administered by Business Durham, working closely with Visit County Durham and the Community Economic Development team in respect of tourism and retail businesses, and with the Council's Corporate Communications and Marketing Team. A full marketing and communications plan will be developed to ensure businesses across the County, including in the rural areas, are aware of the scheme and how to apply.
- 34 Businesses will apply online for the Business Recovery Grant, via the Durham County Council website, and will be required to complete a simple application form. They will be asked to answer questions about their business, and how it has been impacted by COVID 19, and to outline their proposed plan to adapt and recover, together with details of what this will cost. To help businesses with the process there will be a step by step guide and Frequently Asked Questions on the website. In addition to this, the Business Engagement Officers employed by Business Durham will be available to guide businesses through the application process if needed, and to advise those that need help to develop their recovery plans or have questions about eligibility.
- 35 It is proposed that a fast-track process is established for applications seeking up to £10,000 grant. Applications will be assessed for eligibility and suitability by an internal appraisal team made up of staff from the Funding & Programmes Team and Business Durham, and then considered for approval by a Grant Panel comprising the Business Durham Managing Director, the Head of Corporate Finance & Commercial Services, the Funding & Programmes Manager and the Head of Culture, Sport and Tourism.
- 36 As speed is of the essence for the businesses requiring support, applications will be dealt with in order of their date of application, with the Grant Panel meeting regularly (weekly or fortnightly depending on volume of applications) to ensure decisions can be turned around quickly. A commitment will be given to the number of days within which businesses will receive a decision on their application.

- 37 Demand for the grants is expected to be high and the scheme could be oversubscribed. The grant pot will therefore be allocated in tranches, in order to hold back part of the funding available to allow businesses time to prepare their recovery plans and to submit their applications when they are ready to progress these. It is proposed that applications for the first tranche will be open from 14 January 2021, with the second tranche likely to be released in mid-March 2021, subject to take-up of the first tranche.
- 38 The Corporate Director of Regeneration, Economy and Growth will have delegated authority to formally approve the business grant offers as recommended by the Grant Panel. Businesses will be notified of the grant approval and will then implement the project and claim the grant of 75% towards the costs, with actual expenditure evidenced by receipts.
- 39 For grants of £10,000 and above, it is proposed that applications are assessed for eligibility and then an independent management consultant, drawn from a small pre-approved panel, will be allocated to each business application to undertake an appraisal. The consultant will review the detailed recovery proposal with the business and confirm the rationale of the project, its potential impact on jobs, turnover and profit, and the likelihood of it being delivered. A short report with recommendations on the amount of grant and any conditions will be provided.
- 40 This process for larger grants is based on a scheme run by East Durham Business Service that was designed and delivered to help companies in East Durham affected by the financial crash and recession of 2007 onwards. The independent review element of the process was found to work well - where projects had merit but required some shaping and development, the consultants were able to help the business with this, leading to more robust and deliverable projects; where projects were not suitable for the grant, the consultants were able to help the business consider other options.
- 41 Decisions on whether to recommend approval of a grant are then made by the Grant Panel, after consideration of the consultant's report. Businesses will be notified of the grant approval and will then implement the project and claim the grant of 75% towards the costs, with actual expenditure evidenced by receipts.
- 42 It will be important to ensure that the detailed arrangements for administering the grants are robust enough to cope with demand and have sufficient capacity to turn applications around in a timely manner whilst also making the necessary checks on eligibility of the businesses, in order to avoid potential fraud.
- 43 The detailed administration arrangements for the scheme, including the online application process, will be agreed by the Corporate Director of Regeneration, Economy and Growth in consultation with the Corporate Director of Resources and the Portfolio Holder for Economic Regeneration.

Risks

- 44 There are a number of risks to be considered in establishing a business grant scheme of this size, including:
- (a) businesses supported could go out of business within a short time of receiving the grant, leading to accusations of public money having been wasted. This will be mitigated by a robust application process to assess eligibility and the credibility of the recovery plan put forward by each business, and the grants will normally be paid in arrears;
 - (b) businesses may come forward for help that do not meet the eligibility criteria for the scheme and complain about being turned down. This will be mitigated by ensuring clear communication about the eligibility criteria, and reasons for decisions. Where proposals do not fit with the scheme or require further development, the businesses will be signposted to other support;
 - (c) demand for grants is expected to be high and could exceed the available budget leading to criticism of a 'first come, first served' process. This will be mitigated by careful monitoring of application volumes, handling applications in tranches rather than having a one-off application deadline, clear communication of the dates of grant panel meetings, and applicants being given a timescale within which the grant must be spent and claimed (maximum of 3 months) to ensure grants that are not taken up can be reallocated quickly to support other businesses.

Additional Support for Micro Businesses

- 45 In addition to the proposed Business Recovery Grant, it should be noted that additional support is also being offered to micro businesses in the County through the Durham Business Opportunities Programme, an ERDF-funded project. A programme of 1:1 marketing support for micro and small businesses to help them increase their sales post-COVID has been procured and commenced in mid October 2020.
- 46 Each business taking up the 1:1 support is able to access a £500 grant to enable them to implement the advice, which could be for branding, website, marketing material. The programme is targeted to support 110 businesses, with a grant pot of £55,000, which will be met from the Business Durham Programme Reserve.

Additional Support for Start-up Businesses

- 47 Based upon experience of the previous recession, it is anticipated that there will be an increase in the number of people looking to start a business due to having been made redundant. We have a number of

programmes already operating in the County that provide advice and support for potential entrepreneurs and start-ups, including the new ERDF-funded Durham Ambitious Business Starts Programme, run by Business Durham, that was launched in the summer.

- 48 A review is currently being undertaken with all of the start-up providers in the county to ensure that there is sufficient capacity to be able to respond to an increase in demand for support. As part of this a number of actions are underway, including the establishment of a County Durham Start-up Provider Network to join up activity, development of a Start-Up Portal to enable customers to access 'self-serve' support online and a review of funding available for start-ups in the County to identify any gaps. Subject to the outcome of this review there may be a need for the Council to consider additional funding support for start-ups in the form of a grant or voucher scheme. A further report will be brought forward on this once the review has been completed.

Conclusion

- 49 Introduction of the Durham Business Recovery Grant Scheme will support businesses in the County to recover from the impact of COVID, and will help to protect jobs, and the County's economy, for the longer term.

Background papers

None.

Author

Sarah Slaven sarah.slaven@durham.gov.uk Tel: 07500 785618

Appendix 1: Implications

Legal Implications

The Council has the power under section one of the Localism Act 2011 to incur expenditure such as the grants proposed in this report to support businesses recover from the pandemic. Grants of this nature would ordinarily constitute State Aid. The State Aid rules will cease to apply in Great Britain at 23:00 on the 31 December 2020 and it is not currently known what system will replace them. Notwithstanding the above, the Council will administer the scheme in accordance with the current rules. In particular, applicants will be required to demonstrate that they have not received more than €200,000 in the previous three-year rolling period. Any grant awarded will be recorded as de minimis aid on the Council's State Aid recording system.

Finance

The budget of £5m required for the scheme can be funded as follows: £2 million will be made available from the Additional Restrictions Support Grant with £3 million coming from the Council's General Fund resources to fund the scheme.

Consultation

Consultation on the proposals in this report have been undertaken with the Corporate Director of Resources, Head of Corporate Finance and Commercial Services, Head of Finance & Transactional Services, Cabinet Member for Economic Regeneration, and Legal Manager (Commercial) & Deputy Monitoring Officer.

Equality and Diversity / Public Sector Equality Duty

None at this stage.

Climate Change

None at this stage.

Human Rights

None at this stage.

Crime and Disorder

None at this stage.

Staffing

Existing staff resources will be used where possible, but there may be a need for additional capacity to administer the grants, subject to the volume of applications received. A 5% administration budget has been included in the proposal to cover the costs of administering the scheme.

Accommodation

None.

Risk

As outlined in the main body of the report, steps will be taken to mitigate the key risks identified through the detailed scheme eligibility criteria, and grant administration processes.

Procurement

The Council will follow its own Contract Procedure Rules and the Public Contracts Regulations where applicable. There will be a need to procure an independent panel of management consultants to review the larger grant proposals.

Appendix 2: Business Grant Schemes currently available in County Durham

Name	Purpose	Grants Available	Grant Rate	Comments
County Durham Growth Fund (Business Durham)	Capital grant funding to support businesses looking to expand or establish new operations in County Durham	Grants of £30,000 up to £220,000	20-45%	<ul style="list-style-type: none"> • Businesses must be spending a minimum of £100k and creating jobs • Scheme is ERDF funded so sector restrictions apply • Businesses must meet EU SME definition
Digital Drive County Durham (Business Durham)	£1.04M grants available to June 2023 for businesses to implement digital technology	Grants of £1,000 up to £9,000	Up to 40%	<ul style="list-style-type: none"> • Scheme is ERDF funded so sector restrictions apply • Businesses must meet EU SME definition
Business Energy Efficiency Programme (DCC)	Grants towards the purchase and installation of energy efficient equipment to reduce energy consumption of business	Grants of up to £10,000	20-40%	<ul style="list-style-type: none"> • Scheme is ERDF funded so sector restrictions apply • Businesses must meet EU SME definition • Businesses must have a BEEP energy audit first
SME Restart Grants (North East Growth Hub)	Grants for businesses directly impacted by the coronavirus pandemic, to access external expertise or consultancy support	Grants of between £1,000 and £3,000	100% of eligible project costs	<ul style="list-style-type: none"> • Scheme has been heavily over-subscribed and applications are being managed through a ballot system. • Scheme is ERDF funded so sector restrictions apply • Businesses must meet EU SME definition
Kickstarting Tourism Grants (North East Growth Hub)	Grants for businesses that operate in the visitor economy and have been directly impacted by the coronavirus pandemic, to access external expertise or consultancy support	Grants of between £1,000 and £3,000	100% of eligible project costs	<ul style="list-style-type: none"> • Must be a business that largely relies on leisure and / or business visitors for its income. • Scheme has been heavily over-subscribed and is now closed to further applications. • Scheme is ERDF funded so some restrictions apply • Businesses must meet EU SME definition

Name	Purpose	Grants Available	Grant Rate	Comments
North East Business Support Fund (NBSL)	Funding for business improvement projects using external expertise	Grants of £1,000 up to £3,200.	Up to 40%	<ul style="list-style-type: none"> Grant must be to pay for external consultancy advice only Does not support capital, materials or equipment costs Scheme is ERDF funded so sector restrictions apply Businesses must meet EU SME definition
Business Boost (Finchale Group)	Revenue and capital small grants programme for potential entrepreneurs/existing sole traders/SME's in the CLLD areas, towards start up and business investment growth costs	Grants of between £1,000 and £10,000.	40%	<ul style="list-style-type: none"> Only available in the North Durham and South Durham Community Led Local Development areas. Scheme is ERDF funded so sector restrictions apply Businesses must meet EU SME definition
North Durham Business Growth Grant (UMi)	Grants to enable businesses in the North Durham CLLD area to make investments in sustainability and/or growth and job creation.	Grants between £1,000 – £2,000	Fixed rate of 35% of eligible costs	<ul style="list-style-type: none"> Only available in the North Durham Community Led Local Development areas. Scheme is ERDF funded so sector restrictions apply Businesses must meet EU SME definition
SME Innovation Programme (North East BIC)	Grant funding to help progress an innovative idea that contributes to business growth	Grants from £2,000 to £16,000	Up to 40%	<ul style="list-style-type: none"> Grant must be to pay for external consultancy advice only, does not support capital, materials or equipment costs Scheme is ERDF funded so sector restrictions apply Businesses must meet EU SME definition

See also the County Durham Business Support Brochure:

<https://www.businessdurham.co.uk/COVID-19-recovery/COVID-recovery-for-businesses/business-support-brochure/>

Appendix 3: Business Size in County Durham

Business Size	Number of Enterprises	Percentage County Durham
Micro (0-9 employees)	12,040	87.95%
Small (10-49 employees)	1,345	9.82%
Medium (50-249 employees)	270	1.97%
Large (250+ employees)	35	0.26%
Total	13,690	100%

ONS UK Business Counts – Private Sector Enterprises by employment size band.

2018 data (released 2019)

Appendix 4: Durham Business Recovery Grant – Proposed Eligibility Guidance

The purpose of the Durham Business Recovery Grant (DBRG) is to provide financial support to County Durham businesses to implement a credible plan to recover from the effects of Covid 19. Applicants are therefore responsible for creating and articulating the plan. It is not designed as a subsidy, to forestall an immediate crisis or provide a cash flow boost.

Eligible to apply

Businesses:

- With a significant operational base and employees in County Durham
- Established prior to 11 March 2020
- In any format, set up for profit and registered to pay tax on profit.
- Social Enterprises generating 51%+ of their sales from commercial activity i.e. excluding income from donations, grants and contracts not won through a competitive process.
- Employing fewer than 250 in the County
- Operating a business bank account, separating personal and business finance
- Able to demonstrate a significant adverse impact from Covid 19
- Able to demonstrate solvency
- Able to outline a credible and costed recovery plan
- Able to fund their share of the recovery plan

Ineligible

- Registered charities
- Organisations set up to provide
 - local social welfare and community facilities e.g. hospitals, hospices, nursing homes, fire stations, child-minding facilities, sports clubs and societies, parks, public libraries.
 - Housing rental as part of an investment portfolio
 - Provision of public services or activities to supplement public services e.g. social housing, school age education.

- Businesses whose activities might bring DCC's name or reputation into disrepute

Recovery Plan – Eligible Project Costs

Eligible business project costs will include capital or revenue expenditure towards costs such as, but not limited to:

- costs of adapting operational models and working practices in order to meet COVID-secure requirements;
- other adaptations to premises or business models to attract new customers or visitors;
- digitalisation (where this cannot be funded through other schemes);
- new product development that is close to completion and with obvious market prospects;
- marketing support or support with certification costs to enter a new market;
- new machinery or equipment to allow new products to be made and/or new markets to be entered;
- specialist external support to meet a defined need that will increase sales.

Eligible Expenditure

Eligible expenditure is, in simple terms, any expenditure that is necessary to implement a credible recovery plan.

There are a few exceptions and refinements to this general principle.

- The DBRG is not intended to displace other grant schemes. The County Durham Growth Fund and Digital Drive are two examples but there will be others available across the region. Applicants must therefore demonstrate that the costs of the recovery plan cannot be met from another grant scheme.
- The fund cannot be used to acquire freehold land or premises.
- The fund cannot be used to fund the routine replacement of assets.

Rather than providing an exhaustive list of what may be eligible and ineligible it is better to think about expenditure that might form part of a credible recovery plan. This could be capital expenditure, revenue expenditure or a mix.

Capital expenditure is eligible that:

- Increases productive capacity i.e. quantity and speed

- Increases capability e.g. makes new products or increases the capability to design and prototype new products
- Improves product quality
- Improves productivity
- Reduces unit cost

Revenue expenditure is eligible that:

- Makes sense of, exploits or complements capital expenditure
- Helps the applicant access new markets
- Provides and embeds new skills
- Makes it easier to build relationships with customers e.g. via sales processes or customer service
- Provides quality assurance

These are not exhaustive lists and the applicant might buy tangible things e.g. marketing collateral, or intangible e.g. consultancy to help implement (but not scope) a specific part of the recovery plan.

In principle, therefore, the DBRG could be used to recruit a new member of staff with new skills, knowledge and contacts to help implement a key aspect of the plan; however there would need to be a very clear articulation of the need and impact as the grant is for implementation of a recovery plan, not subsidy. Salary, NI and Pension costs may be eligible for a short period of time until the new member of staff becomes productive and this would have to be justified; up to three months might be reasonable though each case will be different. It is expected, following on from this rationale, that employment costs should form only a part of a recovery plan and plans that have too large a proportion of expenditure from this activity may see the amount of eligible spend being capped before approval.

Revenue financing (i.e. leasing or loan repayment) of specialist vehicles including fit out costs, where a credible case is made, may be eligible for up to six months of a three year financing agreement or pro rata on a shorter term.