

- f) There were risks in creating further support including that, in the short term, there would be different approaches in different regions and in the long term, another benefit may undermine the incentive to work.

- 106. In light of the above, the Chancellor advised that there was not a strong case for further financial support; however, if the Prime Minister wanted to proceed, the Chancellor proposed support that was targeted and avoided the risk of becoming an unaffordable national programme. This included a proposal for a discretionary business grant scheme – up to £500 per business with a RV of less than £51,000 that was forced to close for more than four weeks. Given the expense of providing financial support for all local lockdowns, officials advised the design of a programme should be based on local factors, characteristics and subject to adherence with strict conditions and criteria.
- 107. Alongside the proposals for immediate support for local lockdowns, on 14 August 2020, HM Treasury officials provided the Chancellor with advice for financial support packages in the event of a second wave of Covid-19 [BR/F/066 – INQ000609458]. This advice outlined that policy decisions come against a 'significantly worsened economic and fiscal context since March'. HM Treasury officials recommended pursuing business grant schemes which were flexible and could be designed to target specific locations or sectors, in line with the current approach to NPIs, noting that LAs now had experience in delivering business grants at pace. Officials noted the expense of pursuing a grant scheme and the risks of incentivising LAs to want to lockdown. Officials noted that grant schemes did not specifically protect employment therefore, in the absence of other schemes, risked a large increase in unemployment. At the same time, considerations were being made to extend and better target the CJRS and SEISS schemes (covered in separate annexes to this statement).
- 108. On 17 August 2020, the Prime Minister's office confirmed he had considered the advice and wanted to roll out a programme of financial support along the lines outlined in the note of 5 August 2020 [BR/F/067 – INQ000609460]. HM Treasury was commissioned to work with other government departments including BEIS to take the proposal forward at pace, with the intention of signalling to LAs that week that support would be coming.
- 109. That same day the Chancellor asked officials to work up the proposals and engage with selected LAs, as well as other government departments to get their input into policy design. At this stage – and as advised by MHCLG - it was considered impracticable to get input from all 300+ authorities so MHCLG suggested a small number who HM

Treasury could speak to in a more informal way during the policy development. Those selected had previously been vocal on grants issues. (As set out later in this statement, HM Treasury and MHCLG did engage with all LAs to communicate on the scheme once it had been designed (e.g. through frequent information and Q&A sessions) and their feedback was used to refine later versions of the grant schemes) [BR/F/068 - INQ000609459].

110. On 2 September 2020, the Chancellor agreed with the recommendations in the advice of 14 August 2020 on future grant schemes being targeted at businesses in particular areas or sectors and requested further advice on options [BR/F/069 – INQ000609471].
111. On 7 September 2020, the Chancellor requested further advice on local lockdown business grants and a wider update on local lockdown support [BR/F/070 - INQ000609126]. The Chancellor was also keen to view what support Scotland and Wales had put in place. This advice was provided to the Chancellor later that day, seeking his final steers before a potential announcement that week [BR/F/071 - INQ000609466].
112. Within the advice, it was noted that BEIS officials had developed a proposal for a business grant scheme triggered by local lockdowns, with payments made at an average of £500 per closed business for each three-week period that they were closed and further applicable eligibility criteria to be determined by the LA. This proposed rate was in line with previous steers. HM Treasury officials noted the proposal as acceptable but that the Chancellor may wish to increase the rate of support to match the level of support being offered to that in Scotland. These recommendations were approved by the Chancellor on 8 September 2020, including for the higher level of grant [BR/F/070 – INQ000609126].
113. On 9 September 2020, the government announced this new support for businesses required to close due to local lockdowns or targeted restrictions. The Local Restrictions Support Grant (as it became known) was announced with the following key criteria:
 - a) Businesses in England required to close due to local lockdowns or targeted restrictions were able to receive grants worth up to £1,500 every three weeks.
 - b) To be eligible for the grant, a business must have been required to close due to local Covid-19 restrictions.