

**FOR GENERAL RELEASE**

<b>REPORT TO:</b>	<b>CABINET 21 September 2020</b>
<b>SUBJECT:</b>	<b>COVID 19 – Local Authority Discretionary Grant Fund</b>
<b>LEAD OFFICER:</b>	<b>Shifa Mustafa, Executive Director of Place Stephen Tate, Director of Growth, Employment and Regeneration</b>
<b>CABINET MEMBER:</b>	<b>Cllr Manju Shahul Hameed, Cabinet Member for Economy &amp; Jobs Cllr Simon Hall, Lead Cabinet Member for Finance &amp; Resources</b>
<b>WARDS:</b>	<b>All</b>

**CORPORATE PRIORITY/POLICY CONTEXT/ AMBITIOUS FOR CROYDON**

Covid-19 has had an unprecedented economic impact on a global scale, including the UK and Croydon. Our response through distributing the Discretionary Grant Scheme will support the following Corporate Plan priorities:

- **Businesses move here and invest, our existing businesses grow**  
Supporting businesses to restart and innovate mitigating the impact of the COVID 19 lockdown on their economic prosperity . Supporting a sustainable economy recovery of the borough.
- **Everybody has the opportunity to work and build their career**  
By supporting the recovery of businesses the discretionary grant scheme also assists in sustaining the jobs available for our residents.

[Corporate Plan for Croydon 2018-2022](#)

**FINANCIAL IMPACT**

The £2,870,250 Local Authority Discretionary Grant Fund allocated to Croydon by central government is being used to support the recovery of our local businesses and maintain employment. In turn, this will have a positive impact on the Council's finances in the longer term.

**FORWARD PLAN KEY DECISION REFERENCE NO.: 2720CAB**

This is a Key Decision as defined in the council's constitution. This key decision is requested under the special urgency measures as part of the emergency response to COVID 19.

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below:

## **1. RECOMMENDATIONS**

The Cabinet is recommended:

- 1.1 To note progress in implementing Croydon's Discretionary Grants Fund Scheme
- 1.2 To note and endorse the phased extension of the Discretionary Grants Fund Scheme that included additional categories of businesses through Phases Two and Three as more fully detailed in this report.

## **2. EXECUTIVE SUMMARY**

- 2.1. Croydon is facing one of the most challenging periods in its economic history. Despite Croydon's many strengths the impact of COVID-19 (coronavirus) has created an economic crisis that needs an immediate coordinated response that reduces the impact on the businesses. The consensus is that the impact of COVID-19 on the business community and the wider economy will be seismic and that the recovery will play out over many months, if not years.
- 2.2. The Local Authority Discretionary Grants Fund was announced by the Government on 1 May 2020, with local schemes to be designed and implemented by local authorities, and an expectation that these schemes commence from early June 2020. Croydon's share of the funding is £2,870,250. Croydon's Discretionary Grants Scheme was adopted under delegated authority as a case of special urgency by the Cabinet Member for Economy & Jobs in consultation with the Cabinet Member for Resources & Finance on 3 June 2020.
- 2.3. The Discretionary Grants Fund Scheme complements the Small Business Grant Fund (SBGF) and the Retail Hospitality and Leisure Grant Fund (RHLGF), and is aimed at certain small and micro businesses who are ineligible for the SBGF or RHLGF, have relatively high ongoing fixed property-related costs, and can demonstrate that they have suffered a significant fall in income due to the COVID-19 crisis. From the Scheme's launch up to 27 August 2020, the total amount awarded to Croydon businesses was £2,868,500.
- 2.4. Now that Croydon's Scheme is fully operational, the Council has had to review its operation and wishes to ensure that it is able to assist as many businesses as possible in the most meaningful way using the remaining funding. This report focusses on further steps in the implementation of the Scheme that increased the categories of businesses that were eligible.

### **3. DETAILS OF CROYDON DISCRETIONARY GRANTS FUND SCHEME AND IMPLEMENTATION OF PHASES 2 AND 3 OF THE SCHEME**

3.1. Based on government recommend criteria, Croydon Discretionary Grants Fund Scheme is primarily and predominantly aimed at:

- Small and micro businesses, as defined in Section 33 Part 2 of the Small Business, Enterprise and Employment Act 2015 and the Companies Act 2006
- Businesses with relatively high ongoing fixed property-related costs
- Businesses which can demonstrate that they have suffered a significant fall in income due to the COVID-19 crisis
- Businesses which occupy property, or part of a property, with a rateable value or annual rent or annual mortgage payments below £51,000
- Businesses which occupy property, or part of a property, with a rateable value of £51,000 and above (phases 2 and 3 only). This category was not based on governments recommended criteria but on the needs of the Croydon economy following extensive business engagement and research.

3.2. To be eligible for funding under this scheme, businesses:

- Must not be in receipt of grant funding from other central government COVID-related schemes including, but not limited to, the Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund
- Must have a registered or trading address in the London Borough of Croydon
- Must have been trading on 11th March 2020
- Must not be companies that are in administration, insolvent or the subject of a striking-off notice
- May have applied for the Coronavirus Job Retention Scheme and the Self-Employment Income Support Scheme (SEISS)
- Make a declaration that confirms that by accepting the grant payment, the business is eligible for the grant scheme, including that any payments accepted will be in compliance with State Aid requirements. A State Aid declaration will be required to be made by the business in question.

3.3. This grant funding is for businesses that are not eligible for other support schemes. Businesses that have received cash grants from any central government COVID-related scheme are ineligible for funding from the Discretionary Grants Fund. Such grant schemes include but are not limited to:

- Small Business Grant Fund
- Retail, Hospitality and Leisure Grant
- The Fisheries Response Fund
- Domestic Seafood Supply Scheme (DSSS)
- The Zoos Support Fund
- The Dairy Hardship Fund.

3.4. To be a small business, under the Companies Act 2006, a business must satisfy two or more of the following requirements in a year:

- Turnover: Not more than £10.2 million

- Balance sheet total: Not more than £5.1 million
- Number of employees: a headcount of staff of less than 50.

To be a micro business, under the Companies Act 2006, a business must satisfy two or more of the following requirements:-

- Turnover: Not more than £632,000
- Balance sheet total: Not more than £316,000
- Number of employees: a headcount of staff of not more than 10

### 3.5 Priority Business Type

3.5.1 Limited funding is available for discretionary grants. The Council has therefore exercised its discretion in designing its local Discretionary Grant Scheme and defining the range of categories of businesses that will have priority for grant funding, while following government guidance. In successive phases of the scheme it has widened the range of categories of businesses that are to have priority for grants. This was done with extensive consultation with the business community and based on evidence of need.

#### ***Phase One (now concluded)***

3.5.2 Phase One supported businesses in the following categories:

- Small businesses in shared offices or other flexible workspaces.
- Small businesses who occupy property, or part of a property, with a rateable value of less than £51,000
- Regular market traders with fixed building costs, such as rent, who do not have their own business rates assessment
- Social Enterprises
- Excluded: Charities and Bed & Breakfasts did not qualify for grants.

3.5.3 £958,500 was allocated to Croydon businesses under Phase One of the Scheme. This supported 256 businesses.

<p>Total of grants awarded – submitted for payment</p> <p><b>131 x £5,000 - £655,000</b></p> <p><b>119 x £2,500 - £297,500</b></p> <p><b>006 x £1,000 - £ 6,000</b></p>

#### ***Phase Two (from 27 July 2020)***

3.5.4 Phase Two of the scheme removed market traders, and allowed businesses occupying premises with a rateable value of £51,000 and above to receive a discretionary grant in certain circumstances. The categories were as follows:

- Small businesses in shared offices or other flexible workspaces. Examples could include units in industrial parks, science parks and incubators which do not have their own business rates assessment.

- Small businesses who occupy property, or part of a property, with a rateable value of less than £51,000
- Businesses which occupy property, or part of a property, with a rateable value of £51,000 or above.
- Social Enterprises – firms that can demonstrate a clear social mission and have a social enterprise legal status.
- Excluded: Charities and Bed & Breakfasts do not qualify

3.5.5 Under Phase Two, between 27 July and 12 August, £580,000 had been awarded in total to 90 companies. The details are as follows:

Total of grants awarded – submitted for payment	
<b>36 x £10,000 -</b>	<b>£360,000</b>
<b>34 x £5,000 -</b>	<b>£170,000</b>
<b>20 x £2,500 -</b>	<b>£ 50,000</b>

***Phase Three (from 12 noon, 13 August 2020)***

3.5.6 Phase Three of the scheme (from 13<sup>th</sup> August) made the grant available to home based businesses, charities and B&Bs. All of these categories had been excluded under phases 1 and 2 of Croydon’s discretionary scheme, although the charities and B&Bs had been identified in the government guidance. B&Bs had been assessed as not having a significant economic impact in Croydon. Charities had alternative funding streams that were accessible and therefore originally they were not seen as exposed as other sectors.

The categories for phase three were:

- Small businesses in shared offices or other flexible workspaces. Examples could include units in industrial parks, science parks and incubators which do not have their own business rates assessment.
- Small businesses who occupy property or part of a property, with a rateable value of less than £51,000
- Businesses which occupy property, or part of a property, with a rateable value of £51,000 and above.
- Social Enterprises – firms that can demonstrate a clear social mission and have a social enterprise legal status.
- Charity properties
- Bed & Breakfasts; and
- Home based businesses.

3.5.7. Under Phase Three, between 13 August and 27 August, £1,330,000 had been

awarded in total to 251 companies. The details are as follows:

Total of grants awarded – submitted for payment	
<b>27 x £15,000 -</b>	<b>£405,000</b>
<b>18 x £10,000 -</b>	<b>£180,000</b>
<b>92 x £5,000 -</b>	<b>£460,000</b>
<b>114 x £2,500 -</b>	<b>£285,000</b>

### 3.6. Croydon Grants Available

3.6.1 Croydon’s Discretionary Grant Fund Scheme is predominantly based on the fixed property costs (including rental or shared workspace desk costs) of the businesses applying. This is in addition to the other eligibility criteria, which includes a reduction in income of at least 20% as a result of the impact of COVID-19 on the business.

3.6.2 Businesses whose costs are less than £1,000 per calendar month receive a grant of £2,500; and those with costs of more than £1,000 per calendar month receive a £5,000 grant. Grants of £10,000 will be awarded to businesses with a rateable value of £51,000 and above. An uplift of the £10,000 grants previously awarded to £25,000 was provided for businesses who were in sectors that continued to be most impacted by the pressures of Covid 19. These included retail, evening and night time economy, nursery providers and manufacturing and were provided on a first come first served basis following a continued application process. This uplift was implemented to ensure that the maximum amount of support was given to businesses that employed people in sectors that had been most impacted by Covid 19. This information was gathered by quantitative and qualitative information that included engagement with the business community, the Croydon Business Taskforce and data collection. The grant levels are set out in the table below. This will enable the Council to maximise the number of businesses that are able to benefit from this grant scheme.

<b>Category</b>	<b>Grant Awarded</b>
Fixed property cost <i>below</i> £1,000 per calendar month	£2,500
Fixed property cost of <i>more than</i> £1,000 per calendar month	£5,000
Businesses not eligible for 100% rate relief that occupy properties with a rateable value of £51,000 and above	£10,000
Businesses not eligible for 100% rate relief that occupy properties with a rateable value of £51,000 and above in	£25,000

sectors:	
Retail	
Evening & night time economy	
Nursery Providers	
Manufacturing	

### 3.7 Application Process

3.7.1 Businesses apply for the fund through an online application process. The application form has a series of triage questions which enables the Council to establish that businesses meet the criteria at an early stage and before they upload the required documentation.

3.7.2 Funding is granted to the successful applicants on a first-come, first-served basis. This is based on when applicants submit their applications (not when they commence the application process). Applications are time tracked on the system to enable the Council to deliver this in a systematic and transparent way.

3.7.3 In order for businesses to qualify for the grant, they must **provide evidence that they meet ALL of the following criteria:**

- That they are not eligible for other support schemes as detailed in paragraph 3.3 above
- That they have a trading address in the London Borough of Croydon
- That they occupy property, or part of a property:
  - EITHER with a rateable value below £51,000, and are liable for rent or mortgage repayments
  - OR with a rateable value of £51,000 or above, and do not benefit from 100% rate relief
- That they have suffered at least a 20% reduction in income due to the Covid-19 crisis.
- That they have fewer than 50 employees
- That they were trading on or before 11th March 2020
- That they are not companies that are in administration, are insolvent or subject to a striking-off notice that has been made
- Are able to make a declaration that confirms that by accepting the grant payment, the business is eligible for the grant scheme, including that any payments accepted will be in compliance with State Aid requirements. A State Aid declaration will be required to be made by the business in question.

### 3.8 Taxation

3.8.1 Grant income received by a business is taxable therefore funding paid under the Local Authority Discretionary Grants Fund will be subject to tax.

3.8.2 Only businesses which make an overall profit once grant income is included will be subject to tax.

### **3.9 Managing the risk of fraud**

- 3.9.1 The Council remains committed to tackling deliberate manipulation and fraud and will consider prosecuting any business or person who knowingly or recklessly makes a false statement or provides falsified evidence in support of any application. The Council reserves the right to withdraw an award made in these circumstances as well as any grants paid in error.
- 3.9.2 The Government Grants Management Function and Counter Fraud Function will make their digital assurance tool Spotlight available to Local Authorities and will offer support in using the tool and interpreting results.

### **3.10 Post event assurance**

- 3.10.1 Post payment, the government Grants Management Function and Counter Fraud Function will support local authorities to carry out post-event assurance work to identify high risk payments.

### **3.11 Monitoring and reporting requirements**

- 3.11.1 The Council is required to report its progress in developing and delivering the Local Authority Discretionary Grant Fund weekly to the Department for Business, Energy and Industrial Strategy (BEIS) alongside the existing reporting on the Small Business Grants Fund and Retail, Hospitality and Leisure Grants Fund. Criteria for local authority schemes must be published and shared with BEIS.

- 3.11.2 Reports to BEIS cover:

- Numbers of businesses provided £25,000 grants
- Numbers of businesses provided £10,000 grants
- Numbers of businesses provided grants of less than £10,000.
- Total funding paid out in relation to the discretionary grant scheme paying less than £10,000
- Expected date of completion of all grant payments to businesses
- Issues encountered in implementing the scheme to allow BEIS to support development of solutions with local authorities.

- 3.11.3 BEIS will contact a sample of local authorities each month to:

- Check they are awarding in line with the mandatory criteria;
- Understand the ways in which they are using their discretion.

## **4. CONSULTATION**

- 4.1. Alternative options have been extensively considered. Regular consultation has been undertaken with key external stakeholders, notably London Councils, the South London Partnership and other local authorities. This scheme was also informed by significant engagement from the business community which included consultation from the Croydon Business Taskforce (a representative steering group of business membership groups that include the Federation of Small Businesses and the London Chamber of Commerce), the Croydon Business Network (a working group of business support organisations and



business membership groups that deliver support businesses in Croydon to start, develop and grow) and direct engagement from the Economic Development Team who have interacted with more than 7,000 businesses directly through the COVID 19 emergency response.

## **5 PRE-DECISION SCRUTINY**

- 5.1 This item has not been to a Scrutiny meeting for pre-decision debate due to the special urgency measures needed to implement and distribute the grants in a timely manner to address the emergency situation businesses are facing due to COVID 19.

## **6 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

- 6.1 The Discretionary Grant Fund that has been agreed by government is £2.87m. This will support the recovery of our local businesses and maintain employment which will have a positive impact on the Council's finances in the longer term.

The administration of the grants scheme will be delivered by the in house staff so no external costs will be incurred. Daily monitoring to ensure that grant applications awarded do not exceed grant funding will be in operation.

The scheme has been delivered in three phases.

### **6.2. The effect of the decision**

Small and micro businesses, including market traders and sole traders, will receive financial support to help them to survive and lessen the impact of COVID-19 on their fixed property costs. This will sustain businesses and employment within the borough.

### **6.3. Risks**

Spending against funding will be monitored daily to ensure grant funding is not exceeded, the grant process includes a two stage authorisation process which reduces the risk of fraud and human error.

There is a reputational risk that despite Croydon Council's best intentions this fund does not match the amount needed to address the needs of Croydon's business community and some businesses who do match the criteria will not be able to receive the grant as the demand exceeds the supply.

### **6.4. Options**

Alternative grant allocation options were considered which included a sector specific approach. This was rejected as COVID 19 has impacted all sectors. Differing levels of grants were also considered which included £10,000 and £25,000 grants. A phased approach was agreed to ensure that the grants supported a wider network of businesses and supported the recovery process.

However, in Phases Two and Three, businesses which occupy property, or part of a property, with a rateable value of £51,000 or above are able to apply for grants of up to £25,000.

#### **6.5. Future savings/efficiencies**

The implementation of this grant will help to sustain Croydon's businesses which will in turn will sustain employment in the borough. This will help to support future savings and finances for the Council.

Approved by: Lisa Taylor, Director of Finance, Investment and Risk

### **7. LEGAL CONSIDERATIONS**

- 7.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that in response to the Coronavirus, COVID-19, the government announced there would be support for small businesses, and businesses in the retail, hospitality and leisure sectors, delivered through the Small Business Grant Fund and the Retail, Leisure and Hospitality Grant Fund. The Local Authorities Discretionary Grants Fund ("the Fund") is an additional fund aimed at small and micro businesses who were not eligible for the Small Business Grant Fund or the Retail, Leisure and Hospitality Fund.
- 7.2 The Government has issued guidance for Local authorities in administering the Fund which sets out eligibility criteria and the governments recommended prioritisation of categories of business:  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/887310/local-authority-discretionary-fund-la-guidance-v2.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/887310/local-authority-discretionary-fund-la-guidance-v2.pdf)
- 7.3 Local authorities will be responsible for delivering grants to eligible businesses and whilst there is no specific statutory power to make these payments, guidance indicates that Councils are able to rely on the General Power of Competence in Section 1 of the Localism Act 2011 to undertake these payments.
- 7.4 The United Kingdom left the EU on 31 January 2020, nonetheless under the Withdrawal Agreement the State aid rules continue to apply during a transition period, subject to regulation by the EU Commission. The local authority must be satisfied that all State aid requirements have been fully met and complied with when making grant payments, including, where required, compliance with all relevant conditions of the EU State aid De-Minimis Regulation, the EU Commission Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, the approved COVID-19 Temporary Framework for UK Authorities, and any relevant reporting requirements to the EU Commission.
- 7.5 Payments of up to and including £25,000 can be provided under the De Minimis rules, provided that the Council is satisfied that applicants have not received in excess of €200,000 of aid within a rolling three year period. These checks will be incorporated within the State Aid declarations which any businesses due to receive a grant will be required to make.

Approved by: Sandra Herbert Head of Litigation and Corporate Law on behalf of the Director of Law and Governance & Deputy Monitoring Officer.

## **8. HUMAN RESOURCES IMPACT**

- 8.1 Delivery of the Discretionary Fund will require additional staffing redeployed to the Economic Development team. The Economic Development team's inbox will additionally experience high volumes of enquiries once the scheme is live and will require increased provision. To ensure the staffing requirements are met these will be managed under the Council's policies and procedures.

Approved by: Jennifer Sankar, Head of HR Place & Interim Head of HR Resources, for and on behalf of Sue Moorman, Director of HR

## **9. EQUALITIES IMPACT**

- 9.1. There are no direct adverse impacts on groups that share protected characteristics arising from the recommendations in this report.
- 9.2. The impact of the virus is far reaching. The combined and unprecedented impact on the local economy, both on businesses and the workforce, will exacerbate inequalities, where some parts of our communities are disproportionately impacted for the short, medium and long term. The Council has been acutely aware of the disproportionate impact that the virus and lockdown can have on particular demographics, such as older residents and those with pre-existing health conditions.
- 9.3 The grant will be used to support the recovery of our local businesses and economy as well as maintain employment for residents, thereby supporting the Council to reduce inequality across the borough

Approved by: Yvonne Okiyo, Equalities Manager

## **10. ENVIRONMENTAL IMPACT**

- 10.1 There are no direct environmental considerations arising from this report.

## **11. CRIME AND DISORDER REDUCTION IMPACT**

- 11.1 The new discretionary grants will support businesses and sustain jobs preventing future issues through key principles of economic development.

## **12. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

- 12.1 The Discretionary Grants Fund is additional to the Small Business Grant Fund (SBGF) or the Retail Hospitality and Leisure Grant Fund (RHLGF). It is aimed

at certain small and micro businesses who were not eligible for the Small Business Grant Fund or the Retail, Leisure and Hospitality Fund, have relatively high ongoing fixed property-related costs, and can demonstrate that they have suffered a significant fall in income due to the COVID-19 crisis.

- 12.2 The model is predominantly based on the fixed property costs (including rental or shared workspace desk costs) of those businesses applying. Those businesses whose costs are less than £1,000 per calendar month receive a grant of £2,500; and those with costs above £1,000 receive a £5,000 grant. All market traders received a £1,000 grant.
- 12.3 The criteria of this fund were developed to support as many businesses as possible to support businesses impacted by COVID 19 who had at least a 20% reduction of their income due to the lockdown. In Phase Two businesses which occupy property, or part of a property, with a rateable value of £51,000 or above and are not eligible for 100% rate relief were added to the eligible categories of businesses. In Phase Three Charities, Bed and Breakfasts and home based businesses were added to the eligible categories of businesses.

### **13. OPTIONS CONSIDERED AND REJECTED**

- 13.1 Alternative options considered include a scheme with a sector specific approach.
- 13.2 Alternative options have been extensively considered. Regular consultation has been undertaken with key partners, notably London Councils, the South London Partnership and other local authorities.

### **14. DATA PROTECTION IMPLICATIONS**

#### **14.1 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**

The information received by the Council includes both business data and personal data of applicants. This includes sensitive financial data provided as evidence and banking details. A process that conforms to GDPR and the processing of sensitive data has been implemented. Everything is held securely on a purpose built platform.

#### **14.2 HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?**

Yes. DPIA attached.

Approved by Stephen Tate, Director of Growth, Employment & Regeneration

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#### **CONTACT OFFICER:**

Carol Squires, Head of Economic Development, 07944 600228

**APPENDICES TO THIS REPORT:** None

**BACKGROUND PAPERS:** None