

REPORT TO:	Cabinet Member for Economic Recovery & Skills
SUBJECT:	Phase Two – Additional Restrictions Grant (Discretionary)
LEAD OFFICER:	Shifa Mustafa, Executive Director of Place Stephen Tate, Director of Growth, Employment and Regeneration
CABINET MEMBER:	Councillor Manju Shahul Hameed, Cabinet Member for Economic Recovery & Skills Councillor Callton Young, Cabinet Member for Resources & Financial Governance
WARDS:	All
<p>CORPORATE PRIORITY/POLICY CONTEXT/ AMBITIOUS FOR CROYDON</p> <p>Covid-19 has had an unprecedented impact on the economy at a global scale, including the UK and Croydon. Our response to distributing four new Business Grant Schemes will support the following priorities:</p> <ul style="list-style-type: none"> • Tackling ingrained inequality and poverty in the borough. • Tackling the underlying causes of inequality and hardship, like structural racism, environmental injustice and economic injustice. • Providing the best quality core service we can afford. To ensure we get full benefit from every pound we spend keeping people safe and reducing demand. <p>Priorities and new ways of renewing Croydon 2021</p>	
<p>FINANCIAL IMPACT</p> <p>In November the Government confirmed that Croydon would receive an Additional Restrictions Grant of £7,734,200. Following the 3rd lockdown this amount was increased by £3,435,165 bringing the total of the Additional Restrictions Grant Funding to £11,169,365, to be spent by March 2022. This is one of 10 business grant schemes that has been announced since October 2020 (Appendix 1).</p> <p>This grant will support the recovery of our local businesses which will have a positive impact on the Council's finances in the longer term.</p>	
<p>FORWARD PLAN KEY DECISION REFERENCE NO.: 6920ERS</p> <p>The notice of the decision will specify that the decision may not be implemented until after 1300 hours on the 6th working day following the day on which the decision was taken unless referred to the Scrutiny and Overview Committee.</p>	

The Leader of the Council has delegated (6920LR) to the Cabinet Member for Economic Recovery & Skills in consultation with the Cabinet Member for Resources & Financial Governance the power to make the decisions set out below:

1. RECOMMENDATIONS

The Cabinet Member for Economic Recovery & Skills in consultation with the Cabinet Member for Resources & Financial Governance is recommended to

- 1.1 Endorse and adopt the proposed mechanism and implementation of the Local Authority Discretionary Grants Fund for Croydon as detailed in the report.
- 1.2 Delegate authority to Executive Director of Place to oversee the process and implementation of the delivery of the Additional Restrictions Grant.

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 financial impact on Croydon businesses.
- 2.2. 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.
- 2.3. This report focusses on the implementation of phase two of the Additional Restrictions Grant announced for businesses in October 2020.

This grant is in addition to the other mandatory grants that have also been announced by government. These grants are outlined in the Appendix 1.

- 2.4. In November 2020 Croydon Council received £8,214,767 of discretionary funding of which £7,734,200 was received as the Additional Restrictions Grant, an additional £3,435,165 was announced by government on the 15th January 2021. This brings the total of the Additional Restrictions Grant Funding to £11,169,365.

3 DISCRETIONARY FUNDING

- 3.1 It was initially proposed that the scheme would be delivered in two phases.

- **Phase One – which became available December 2020:**
 - Distribution of £3,000,000 of the Additional Restrictions Grants (*which would be flexed upon need*).
 - Distribution of the London Restriction Support Grant (Open) £480,567

- **Phase Two:**

- A new business Growth & Innovation Grant Fund. This would be a £500,000 grant fund that will be available from April 2021. The grants would help businesses purchase equipment or software that will help them innovate and develop their businesses, increasing business resilience, and assisting in the recovery of the borough.
- The development and implementation of a Business Support programme that provided direct support to business growth in the borough, (£250,000).
- Creation of a new Evening & Night Time Grant (£500,000)

3.2 A reserve of £3,484,200 was to be kept and made available to support businesses during the financial year 2021/2022 in case of further lockdowns which would provide further direct grant payment to businesses. The government had confirmed that there would be no additional funding made available for the Additional Restrictions Grant if further restrictive tiers were entered into, despite the fact that further restrictions may be imposed in the future. The government confirmed that this funding had to be spent by March 2022.

However, an additional amount of £3,435,165 was announced on the 15th January 2021, following the 3rd lock down, which increases the total of unallocated additional restrictions grant scheme to £6,919,365.

- 3.3 It is important to note that the unallocated £6,919,365 provides funding that can be used to support the needs of Croydon business and can be allocated dependent on business need, with the right governance, at any time. However, this amount must be utilised to support businesses throughout the Covid 19 crisis until March 2022. Government has been clear not to expect further funding.
- 3.4 In reference to the Additional Restrictions Grant, Government did not specify the types of businesses councils should support through this scheme, but suggested that consideration could be given to businesses forced to close that were not ratepayers, businesses not forced to close but severely impacted by the restrictions, and businesses that supply the retail, hospitality and leisure sectors. The Council modelled the phase one scheme on the needs of businesses as assessed through consultation.
- 3.5 Business grants through the additional restrictions grant scheme can be awarded to both ratepayers and non-ratepayers, provided they have been impacted by the restrictions.
- 3.6 Although it is not possible to support every business impacted by the restrictions, the scheme is aimed at supporting local businesses in Croydon that have been either forced to close, or if able to continue trading, have been severely impacted.
- 3.7 Local councils were given the freedom to determine the eligibility criteria for these grants. However, Government expected the funding to help those

businesses which – while not legally forced to close – were nonetheless severely impacted by the restrictions.

4. PHASE ONE DETAILS OF THE CROYDON ADDITIONAL RESTRICTIONS GRANT FUND SCHEME (applications closed 15th January 2021)

- 4.1 Phase one of the Additional Restrictions Grant distributed £477,000 to 159 businesses. An additional 384 of the applications were redirected to the government mandatory grants.
- 4.2. As we enter phase two of the Additional Restrictions Grant it is noted that there is financial capacity from phase one (£2,523,000) to continue the original scheme and expand the criteria so that more Croydon businesses can benefit from direct financial support. It is therefore proposed that the second phase of the grant sees the continuation of direct payments to businesses from the original £3,000,000 allocation and includes an expansion of the criteria to include all businesses impacted by the lockdown that can provide evidence of a 10% or more loss of revenue. Businesses who successfully received a grant from phase one could also apply again for a grant in phase two to support the continued lockdown. More money can be allocated based on need.
- 4.3. To be eligible for phase two of the Croydon Discretionary Grant Fund, businesses:
- Must have a registered or trading address in the London Borough of Croydon
 - Must have been trading on the 5th January 2021.
 - Must have seen a 10% reduction or more in income (which can be evidenced).
 - Must have a minimum turnover of £15,000 per annum.

Businesses not eligible would include:

- Companies that are in administration, insolvent or where a striking-off notice has been made would not be eligible for funding under this scheme.
- Businesses who would exceed the state aid threshold if given the grant.
- Businesses who are eligible for the LRSG tiered grants.

4.4 Priority Business Type

Based on the government guidelines, while simultaneously exercising local discretion as per the parameters of the scheme, the proposed scheme for Croydon will continue to give priority to those businesses that fall into the following categories:

- The substantive part of the business has been required to close by law due to the national restrictions put in place by central government, and are not entitled to a mandatory Local Restrictions Support Grant so do **not** hold a rating liability for National Non-Domestic Rates (Business Rates). If a business has changed its business model to continue operating in some way during the national restrictions (e.g. operating a click and collect or take

away service) they will still be eligible if the main part of the business has been required to close. Under this category the business must not have chosen to close, but have been required to close by law.

- Businesses who have been directly impacted by the national restrictions which has affected the substantial part of their business, leading to a loss of income of at least 10% or more.

4.5 The model continues to be based on the fixed property costs (including rental or shared workspace desk costs) of those businesses applying. Businesses whose costs are less than £1,500 per calendar month receive a grant of £2,000; and those with costs above £1,500 receive a £5,000 grant. Workspace providers are entitled to a £10,000 grant (the workspace provider grant is a one off grant, if received in phase one could not be accessed again in phase two).

4.6 This is in addition to the other eligibility criteria, which includes a retraction in income of at least 10% as a result of the impact of COVID-19 on the business.

4.7 Home-based businesses would continue to be eligible but would need to demonstrate that they make a minimum turnover of £15,000 per year –to ensure that the scheme supports businesses that served as a primary source of income.

4.8 Croydon Grants Available

Croydon Council will award grants based on fixed property costs as set out in the table below.

Category	Grant Awarded	Criteria
Fixed property cost <i>below</i> £1,500 per calendar month	£2,000	Eligible business with fixed property cost in Croydon <i>below</i> £1,500 pcm
Fixed property cost <i>above</i> £1,500 per calendar month	£5,000	Eligible business with fixed property cost in Croydon <i>above</i> £1,500 pcm
Workspace Providers	£10,000	Providing serviced office support to SMEs (whether open or closed)

4.9 Application Process

Businesses will apply for the fund through an online application process constructed by Croydon Digital Services. The application form has a series of triage questions which enables the Council to ensure businesses meet the criteria at an early stage and before they upload the required documentation.

Funding will be granted to the successful applicants on a first-come-first-served basis, amount of grant will be ringfenced as the above table shows. This will be

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.

4.10 If funding remains in the ARG phase two the Council may choose to reopen the fund and/or adapt the eligibility criteria.

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

- All types of organisations are eligible including, but not limited to, limited companies, community interest companies, limited liability partnerships, charities and social enterprises.
- Sole traders and partnerships are also eligible to apply for support under the scheme if they meet all other eligibility criteria.
- This funding is to support businesses which have suffered a significant loss of income due to COVID-19 second lockdown. The turnover must have been at least £15,000 per annum during 2019/20 tax year (pro-rata if a newly established business).
- The business must be the applicant's main source of income (particularly relevant to those self-employed/sole traders).
- The business must have been actively trading prior to the 5th January 2021 (actively buying/selling goods or services).
- The business must have a trading/operating address in the London Borough of Croydon, and regularly operate in the London Borough of Croydon. The business must not have received a grant from another local authority in relation to the premises you claim through this scheme.
- The business must be fully constituted. It must **not** be in administration, insolvent or have had a striking-off notice made, either when the national restrictions came into effect, at the point of application, or when the grant is due to be paid.
- Must **not** have been able to continue to operate as usual during national restrictions.
- Must **not** have reached the state aid limit.

5 BUSINESS SUPPORT GRANTS

5.1 Phase Two of the grant fund will also include:

- A new £500,000 Business Growth & Innovation Grant Fund
- The scoping and implementation of a new £250,000 business support programme that provides additionality to the existing programmes available

for Croydon businesses and residents, encouraging a culture of enterprise and innovation.

- A new £500,000 Evening & Night Time Grant Fund.
- £150,000 contingency fund to be used at the discretion of the Council for businesses that were directly impacted at the first lockdown but did not receive their full grants prior to 30th September 2020.

5.2 All schemes in phase two will be scoped in partnership through the members of the Croydon Business Network and the Croydon Business Taskforce (this includes all business improvements districts, Federation of Small Businesses, Enterprise Nation, London Road Traders Association and the Chamber of Commerce). These groups will also have full insight in to the outcomes and impacts of any business support programmes that are implemented to ensure that there is a transparency and accountability of the programme which will feed directly into the Council's Economic & Regeneration Recovery Plan.

5.3 The new grants will be available by the 1st March 2021, to ensure that there is no duplication of support from the London Economic Action Partnership (LEAP), London Business Hub or the Greater London Authority. It is important that the above grants support do not duplicate any offering but offer additionality to the support that will be available to the business community and the economic recovery of the borough.

6. BUSINESS RECOVERY, GROWTH & INNOVATION GRANT FUND

6.1 The new Business Recovery Growth & Innovation Grant scheme is aimed at supporting small to medium sized organisations in our area to recover, grow and innovate from the impact of the COVID 19 pandemic. Helping businesses become more resilient in the future.

Key details of the scheme:

- Total of scheme value £500,000
- Grants available up to £20,000
- Grant funding must be spent on equipment or software to assist the business to recover, innovate and grow.
- Proof of use and cost of equipment would be needed.
- Grant purchased items must be bought and claimed back before 28th February 2022

6.2 The scheme would aim to support the purchase of items that can assist a business to directly innovate, develop or grow. This could include but not be limited to website, apps, office/home/manufacturing equipment etc).

6.3 In order to be eligible for a grant payment the business must be registered or trading in Croydon, not insolvent, or in administration, or subject to a striking-off notice.

6.4 Businesses must not have reached State Aid thresholds and the grant payments are subject to tax.

- 6.5 Value of Grant Awards would cover the equipment costs of up to £20,000 and would be distributed in an application process at the discretion of the Council.
- 6.6 If demand exceeded the value of the scheme the Council would reserve the option of increasing the value of the scheme. This decision would be made with the correct internal governance of the Council. Value of Grant Awards would cover the equipment costs of up to £20,000 and would be distributed in an application process at the discretion of the Council.

7 BUSINESS SUPPORT PROGRAMME

- 7.1 The business recovery, growth and innovation grant will be supported by a £250,000 business support programme in partnership with the Croydon Business Network.
- 7.2 The Croydon business support programme would complement the offering available through the London Business Hub and address any training or support gaps that need to be implemented to support businesses in their recovery and enable resilience for the future. The programme would be shaped in consultation with businesses, the Croydon Business Taskforce and the Croydon Business Network so that it offers additionality to the London programme. The Croydon Business Network and Taskforce will also have full insight into the outcomes and impacts of any business support programmes that are implemented to ensure that there is a transparency and accountability of the programme which will feed directly into the Council's Economic & Regeneration Recovery Plan.
- 7.3 The programme would not be delivered internally within the Council, instead the Council would seek to work with partners, providers and stakeholders within the borough in order to ensure that the programme delivered a variety of outputs that include:
- Enabling the recovery and resilience of high streets
 - Reversing the pattern of rising unemployment and lost economic growth caused by the economic scarring of COVID-19
 - Supporting a more sustainable Croydon
 - Helping business to digitalise their offering.
 - Encouraging a culture of innovation and enterprise.

8 EVENING & NIGHT TIME ECONOMY GRANT

- 8.1 The evening and night time economy has been one of the hardest hit sectors in the Covid 19 pandemic. With this in mind a new Croydon Evening & Night Time Economy Grant would be available in phase 2 (initially the scheme would ringfence £500,000 but this would be flexed dependent on need). The fund would provide a one off £10,000 grant to support businesses in evening and night time economy. These businesses would include public houses, theatres, night clubs and restaurants (takeaways excluded for this scheme) and may have received the mandatory grants that government have implemented.

8.2 The fund would have an application process (replicating the existing phase one fund) and would need to demonstrate a 10% or more loss of income.

8.3 To be eligible for the Evening & Night Time Economy Grant businesses:

- Must have had a registered or trading address in the London Borough of Croydon
- Must have been trading on the 1st December 2021.
- Must have seen a 10% reduction in income or more (which can be evidenced).

8.4 Businesses not eligible would include:

- Companies that are in administration, or insolvent or where a striking-off notice has been made would not be eligible for funding under this scheme.
- Businesses who would exceed the state aid threshold if given the grant.

9. PHASE 3

9.1 To ensure that the scheme provides maximum effect for Croydon businesses there will be an open transparent evaluation of the support given, this will be done via consultation with businesses who have received grants and those who have not been successful. This will be built into the process and open to scrutiny. This evaluation and current economic data will shape phase three of the delivery of the ARG grants which will support the economic recovery of Croydon businesses.

9.2 Phase Three of the Additional Restrictions Grant will be taken to a future Cabinet for endorsement, this will include suggestions for any unallocated funding to support Croydon businesses.

10. CONSULTATION

10.1 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).

11 PRE-DECISION SCRUTINY

11.1 This item has not been to a Scrutiny meeting for pre-decision debate due to the special urgency measures however the Additional Restriction Grant Scheme will be available for scrutiny panels assessment (date to be confirmed).

12 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 12.1. The additional restrictions grants fund that has been agreed by Government (£11,169,365) will support the recovery of our local businesses and maintain employment for residents which will have a positive impact on the Council's finances in the longer term.
- 12.2 This will complement the mandatory business grant funding has been agreed by Government and will support businesses who have been impacted by the Covid 19 lockdown.
- 12.3 The resource cost of the delivery of the discretionary grants has been scoped in-house so no external costs will be incurred.
- 12.4 The Government have confirmed that New Burdens Funding will be available to Local Authorities in relation to all new grant schemes. The amount of funding we will receive is TBC.
- 12.5 Daily monitoring to ensure that grant applications awarded do not exceed grant funding will be in operation.
- 12.6 Weekly and monthly reporting will be completed and returned to government and HMRC.
- 12.7 **The effect of the decision**
Small and micro businesses, including 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.
- 12.8 **Risks**
Spending against funding will be monitored daily to ensure grant funding is not exceeded, the grant process includes a two person authorisation process which reduces the risk of fraud. Local Authorities will also be required to report weekly on the BEIS fund and a future audit will be implemented (internally), BEIS will audit councils on an adhoc basis.

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 have the grant as the demand exceeds the supply.

There is a risk that these grants attract fraudulent applications and therefore a full fraud risk management plan has been implemented.
- 12.9 **Options**
Alternative options were considered which included a sector specific approach. This was rejected as COVID 19 has impacted all sectors.

a. 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

13. LEGAL CONSIDERATIONS

- 13.1 The Head of Commercial and Property Law comments on behalf of the Director of Law and Governance that in response to the Coronavirus, COVID-19, the government has put in place additional support for businesses that had been impacted by social distancing and business closures restrictions arising out of the pandemic (using a grant under Section 31 of the Local Government Act 2003).
- 13.2 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. This guidance should be followed when administering the funds.
- 13.3 Local authorities are 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.
- 13.4 The United Kingdom left the EU on 31 January 2020, and the State Aid regime has been replaced by a similar regime known as 'Subsidy Control'. Under this regime, a subsidy is a measure which is
- given by a public authority and
 - makes a financial or in kind contribution to an enterprise which is not available on market terms, and
 - affects international trade
- 13.5 The Government's guidance on this new regime acknowledges that subsidies (or in this case grants) to very local companies are unlikely to be caught as this is unlikely to affect international trade. It is therefore considered that the proposals in this report will be compliant with the new Subsidy Control regime and the proposed scheme follows government guidance. Nevertheless, the Council is required to keep a record of any and all public subsidy which it gives to businesses, in the implementation of the proposals in this report such a record will be maintained. The Subsidy Control regime is new and developing and any further relevant guidance on this will be shared with officers responsible for administering the Additional Restrictions Grant scheme.

Approved by Sean Murphy, Head of Commercial and Property Law on behalf of the Interim Director of Law and Governance

14. HUMAN RESOURCES IMPACT

- 14.1 Delivery of the 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.
- 14.2 Additional staffing for this team will be employed via the Council's Recruitment Policy or the Council's internal redeployment policies.
- 14.3 Any other HR impact issues that may arise will be managed under the Council's policies and procedures.

Approved by: Jennifer Sankar, Head of HR Place, for and on behalf of Sue Moorman, HR Director. January 2021

15. EQUALITIES IMPACT

- 15.1 There are no direct equality impacts arising from this report. However the consultation referenced included representation across a broad spectrum of Croydon's SME business community including the local BAME business community.
- 15.2 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 lock down can have on particular demographics, such as older residents, those with pre-existing health conditions and BAME communities
- 15.3 Supporting businesses and sustaining jobs will assist in reducing inequality across the borough. The grants scheme will be promoted widely through all the mediums available to the council, including social media and our dedicated business newsletter. Additionally, we will run regular workshops targeted at smaller, independent businesses who may not access information in traditional ways or where English may not be their first language. We will also work through our established business networks and recognised business representatives to ensure all businesses are aware of the grants and wider support available to them through the council.

Approved by: Yvonne Okiyo, Equalities Manager

16. ENVIRONMENTAL IMPACT

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

17. CRIME AND DISORDER REDUCTION IMPACT

- 17.1 The new Croydon Discretionary Grant Fund will support businesses and sustain jobs preventing future issues through key principles of economic development.

18. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

- 18.1 This is an additional fund to the additional grants that have been announced by government, it is aimed at small and medium sized businesses (SME's) who have been directly impacted by the shut down of the economy, and which have relatively high ongoing, fixed property-related costs, and that can demonstrate that they have suffered a significant fall in income due to the COVID-19 crisis.
- 18.2 The proposed model is predominantly based on the fixed property costs (including rental or shared workspace desk costs) of those businesses applying. It is proposed that those businesses whose costs are less than £1500 per calendar month receive a grant of £2000; and those with costs above £1000 receive a £5000 grant. Workspace providers would receive a £10,000 grant.
- 18.3 The criteria of this fund was developed to support as many businesses as possible impacted by COVID 19 and save jobs for Croydon residents.

19. OPTIONS CONSIDERED AND REJECTED

- 19.1 Alternative options considered include a scheme with a sector specific approach.
- 19.2 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.

20. DATA PROTECTION IMPLICATIONS

20.1 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?

No, it will be business data that is processed however this will include sensitive financial evidence and banking details and therefore a process that conforms to GDPR and the processing of sensitive data has been implemented.

20.2 HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?

A DPIA was completed for the last discretionary fund, all handling of data remains the same.

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

CONTACT OFFICER: Carol Squires, Head of Economic Development,
Growth, Employment & Regeneration

BACKGROUND DOCUMENTS: None