



Urgent Key Decision Report of: Corporate Director Community Wealth Building

Officer Key Decision	Date: 13 April 2022	Ward(s): All
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Delete as appropriate	Exempt	Non-exempt
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REASON FOR URGENCY

Through the Covid-19 Additional Relief Fund, the Government has made £17M available to certain businesses in Islington, which needs to be awarded by 30th September 2022, with any unspent allocation after this date having to be returned to Government. The scheme is administered by Islington Council and funded by central government.

Over 7,400 businesses were invited to apply for awards of up to £2,000 per property, with an application deadline of 31 March 2022. However, by this closing date only 270 applications have been received.

To maximise the amount of support distributed to local businesses via the CARF, it is intended to vary the scheme, extend the delivery timescale, and then re-launch the scheme. There will also be further publicity campaigns to promote the fund. The initial take-up of the CARF strongly suggests the existing scheme has not encouraged qualifying businesses to apply in large numbers and so we must maximise the amount of time available we have to do this.

This matter would ordinarily be reserved for Executive decision, as the details of the scheme were included and agreed in the Budget Paper to Executive on 10 February 2022. To increase the take-up of CARF funding before we must return any unspent funds to Government, we want to change and re-launch the CARF scheme as soon as possible.

SUBJECT: Extension to the Covid-19 Additional Relief Fund (CARF) scheme

1. Synopsis

- 1.1 The original CARF scheme was determined by the Executive on 10 Feb 2022. To ensure the scheme delivers maximum benefits, the Council wishes to vary the terms of the original scheme.

1.2 A copy of the original scheme approved by the Executive on 10 February 2022 is attached with the document name, "Appendix F: Islington's Covid-19 Additional Relief Fund (CARF) scheme for 2021/2022".

2. Date the decision is to be taken

2.1 25 April 2022

3. Recommendations

3.1 To change the original closing date for "Tranche 1", from 31 Mar 2022 to 31 May 2022

3.2 To change the final distribution date for "Tranche 2", from 30 Jun 2022 to 4 Sep 2022

3.3 To increase the value of a "Tranche 1" award from £2,000 to £10,000

3.4 To insert a new rule, at para. 6.3.1 of the original scheme, that ensures that we do not overspend our budget allocation. This new scheme rule will state that "The CARF is a budget limited scheme and awards will be made on a first come first served basis either up to the closing date or until the budget is all spent, whichever comes first. In all circumstances the scheme will be closed once the allocated budget is spent".

4. Background

4.1 7,400 businesses were invited to apply for an award under the original CARF scheme with a closing date for applications of 31 March 2022.

4.2 We only received 270 applications which is a disappointingly small number and we want to take steps to improve take-up. Otherwise, money allocated to supporting Islington businesses will have to be returned to Government.

4.3 In order to improve take-up, we are improving the attractiveness of the CARF scheme to businesses and we will re-launch the scheme with a redesigned communications and engagement strategy. This will include:

- Dedicated e-bulletins to over 5,000 businesses;
- Promotion through business networks including affordable workspace operators, Business Improvement Districts and Big Alliance;
- Inclusion on Town Centre Management Groups and trader association meeting agenda in Archway, Caledonian Road, Nag's Head and Finsbury Park;
- Visits to identified businesses by Local Economies Officers to support the application process;
- Media release to promote support for local businesses; and,
- Social media campaign via Twitter accounts for town centres, plus promotion on LinkedIn.

4.4 The application process will be reviewed and any adjustments to language/process will be made as part of the re-launch to ensure that the process is as straightforward as possible.

4.5 The scheme closed on 31 March, but applications continue to be received. It is proposed that the timeline is extended within the parameters set by government. These applications can then be processed, and the communications approach will be rolled out. The new closing date

for Tranche 1 is proposed as 31 May, and closing date for Tranche 2 as 4 September, in time for the implied Government deadline of 30 September 2022.

5. Implications

5.1 Financial implications:

The council has received a government grant allocation of £17,161,221 for CARF reliefs. The revised scheme set out in this report includes a recommendation that the council does not exceed this funding allocation.

If the total CARF reliefs awarded by the council is less than £17,161,221, the difference will be required to be repaid to the government.

5.2 Legal Implications:

The Guidance advises that the Council should award any Relief in accordance with powers for granting Discretionary Rate Relief under Section 47 of the Local Government Finance Act 1988 (as amended). Granting the relief as recommended here would be reasonable and lawful.

Public funding/support given in Great Britain since 1 January 2021 is no longer subject to state aid law. New rules on subsidy control now apply, which are in many ways closely analogous to EU state aid law. Public authorities are to make a case by case consideration of their proposed subsidy in compliance with the Trade and Cooperation Agreement (TCA) reached between the UK and the EU. The TCA is incorporated into domestic law by virtue of Section 29 of the EU (Future Relationships) Act 2020.

The concept of subsidy subject to the TCA requirements is defined in very broad terms. A subsidy is a measure which:

- a) is given by a public authority (including a local authority)
- b) makes a contribution to an enterprise conferring an economic advantage that is not available on market terms (for example, grants, loans at below market rate, or allowing a company to use publicly owned offices rent free). An enterprise could be a government department or charity if it acts commercially; and
- c) affects international trade

The UK-EU TCA obligations must be met if they apply, and the subsidy must meet the terms of its principles. The TCA sets out principles which all subsidies of more than 325,000 Special Drawing Rights (approximately £350,000) given to a single beneficiary over 3 years must meet.

The only exceptions are subsidies to compensate for natural disasters, subsidies for agriculture and subsidies for audio visual. If in scope, the council must consider these principles in the design and granting of subsidies on a case-by-case basis. Failure to do so could leave the council open to judicial review.

The principles are that the subsidies should:

- i. Pursue a specific public policy objective to remedy an identified market failure or to address an equity rationale such as social difficulties or distributional concerns (“the objective”)
- ii. Be proportionate and limited to what is necessary to achieve the objective
- iii. Be designed to bring about a change of economic behaviour of the beneficiary that is conducive to achieving the objective and that would not be achieved in the absence of subsidies being provided

- iv. Not normally compensate for the costs the beneficiary would have funded in the absence of any subsidy
- v. Should be an appropriate policy instrument to achieve a public policy objective and that objective cannot be achieved through other less distortive means
- vi. Subsidies' positive contributions to achieving the objective should outweigh any negative effects, in particular the negative effects on trade or investment between the UK and EU.

The government sought views on the best way to design a bespoke approach to UK-wide subsidy control, including any additions to the principles underpinning the regime and any subsidies which should be excluded from the commitments to these principles. It also sought thoughts on how best to manage the most distortive kinds of subsidies, in addition to opinions on the role and powers of the independent body that will oversee the regime. The government aims to deliver a subsidy control regime that:

- Facilitates strategic interventions to support government priorities, including supporting the economy's recovery from COVID-19 ;
- Takes account of the economic needs of the UK's individual nations and strengthens the economic bonds of our Union;
- Protects the UK's competitive and dynamic market economy and;
- Ensures that subsidies in the UK are given in line with our international commitments including those in the UK-EU TCA.

The consultation ended on 31 March 2021 and a Subsidy Control Bill has since been introduced. The Subsidy Control Bill has completed its progress through the House of Commons and is about to be considered by the House of Lords.

For the avoidance of doubt, the council can still pay out subsidies over previously approved schemes as these will be in line with the principles. This includes subsidies related to COVID-19 that have previously been given under the State Aid Temporary Framework. The council must keep these schemes under review and apply the principles to any changes made to these schemes.

The amendments in timing and value are within the Council's powers.

5.3 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030:

There are no environmental implications or opportunities to contribute to a net zero carbon Islington.

5.4 Equalities Impact Assessment:

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

An impact assessment was carried out for the original decision of 10 Feb 2022 and is contained within the document "Appendix F: Islington's Covid-19 Additional Relief Fund (CARF) scheme for 2021/2022", attached.

There is no change to the nature of the businesses in the scope of the CARF so the impact assessment for the revised scheme remains the same as that of the original decision.

6. Reasons for the decision

6.1 We want to maximise the amount of financial support we deliver to businesses in Islington within the limited timeframe we have available.

7. Record of the decision

7.1 I have today decided to take the decision set out in section 2 of this report for the reasons set out above.

Signed by:

Corporate Director -
Community Wealth Building

Date

Appendices: Original CARF report agreed at the Budget Meeting

Background papers: None

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