

## Urgent Key Decision Report of: Corporate Director Community Wealth Building

<b>Officer Key Decision</b>	<b>Date:</b>	<b>Ward(s):</b>
<b>Corporate Director Community Wealth Building</b>	<b>24 August 2022</b>	<b>All</b>

<b>Delete as appropriate</b>	Exempt	Non-exempt
------------------------------	--------	------------

### REASON FOR URGENCY

**This decision will be taken under the urgency provisions at Procedure Rule 92 of the Council's Constitution. The reason for use of the urgency procedures is as follows:**

The COVID-19 Additional Relief Fund (CARF) scheme has been in operation for a full 6 months during which time there have only been 755 applications, 400 of which were successful. Despite at least four direct communications to businesses and extensive outreach work by officers, applications have reduced to very low levels (6 in the last 7 days). The final deadline for CARF awards to be made is 30 September 2022. At the current rate of successful applications, we estimate that, unless the scheme is amended, almost £4.7M would be returned to Government. Given the need to support businesses within our local area who have been impacted by the pandemic, as well as the impending energy cost increases for businesses who are not protected by a cap, an urgent decision is required to ensure that as many local businesses benefit from the support as possible.

### COVID-19 Additional Relief Fund (CARF):

Through the Covid-19 Additional Relief Fund, the Government has made £17.2m available to certain businesses in Islington, which needs to be awarded by 30 September 2022. Any unspent allocation after this date having to be returned to Government.

The scheme is administered by Islington Council but funded by central government.

In February, 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 that original closing date only 270 applications had been received.

To maximise the amount of support distributed to local businesses via the CARF, an urgent key decision was taken by the Corporate Director – Community Wealth Building in April 2022 to vary the award values (increased to up to £10,000 per business) and extend the delivery timescale (to the 31 May 2022).

There is also an existing 'fall back' position we've called "Tranche 2" where, if insufficient businesses apply for an award, we will use any remaining unspent allocation to top-up the awards of those businesses who had applied and qualified. All awards are limited to the value of their business rates bill.

The later scheme changes effective from April were moderately successful in increasing applications and awards but there is room to improve the outcomes further.

Because the scheme was originally agreed in the Budget Meeting (10 February 2022) a change to this scheme would ordinarily be reserved for Executive decision. However, in order to maximise the distribution of CARF funding before we must return any unspent funds to Government, we want to change the CARF scheme before the cut-off date at the end of September.

### **Summary of the CARF position as at the 19<sup>th</sup> August**

Successful applications for CARF awards have been applied to 400 properties. These tranche 1 awards are worth £3,164,569. This is an average of £7,911 per business.

Tranche 2 of the CARF scheme will top-up the awards to these properties by a further £9.3m, covering the full amount of their business rates bill.

After Tranche 2, we will have used £12.5m of the £17.2m allocation available to Islington.

Based on our current estimates will still have almost £4.7M available to distribute before the scheme cut-off date at the end of September.

The CARF scheme has been in operation for a full 6 months during which time there have only been 755 applications, 400 of which were successful.

Despite at least four direct communications to businesses and extensive outreach work by officers, applications have reduced now to a trickle (6 in the last 7 days).

There are only 5 more weeks until the final deadline for CARF awards on 30 September 2022. At the current rate of successful applications, we estimate that almost £4.7M would be returned to Government with the current scheme design.

Given the need to support businesses within our local area who have been impacted by the pandemic, as well as the impending energy cost increases for businesses who are not protected by a cap, an urgent need to amend our scheme is required.

### **Key scheme change option - 'Making pro-active awards'**

A key aspect of our existing CARF scheme is that we use an application process to obtain the information needed to ensure that the business meets the required criteria. This includes whether the business has already exceeded its subsidy allowance limit

which is a limit to the amount of public funding that a business can receive (formerly described as state aid).

Another option, to maximise the amount of funding for our local area is to pro-actively award CARF to businesses who we believe are eligible.

We are aware that nationally, some Councils have automatically awarded CARF to their local businesses. Additionally, because of the low take up experienced, other Councils currently using an application process like us, are considering the making of automatic awards. Examples we are aware of include:

- Southwark has made in the region of 2,000 automatic awards
- Bexley has made in the region of 840 automatic awards
- Barking & Dagenham has made in the region of 791 automatic awards.

The Government's policy is that awards must not be made to those businesses which do not meet the criteria. The Government will seek evidence that awards made are made to eligible businesses. Running an application process guarantees that businesses will be eligible whereas a process of making pro-active awards, without controls, may include some ineligible businesses. It is at the authority's risk if it makes CARF awards where it had not previously satisfied itself of the appropriateness.

With some businesses we can be reasonably sure, when looked at in isolation, that they will qualify. A small number of businesses will be linked to several other hereditaments on which we do not hold information.

In wanting to maximise the benefit to the local area, in support of an inclusive economy, it is necessary to design a system that minimises the risk of awards being made to ineligible businesses. We will do this by targeting businesses who meet certain additional criteria. This is not to be interpreted as businesses excluded from the targeting being ineligible, more so that they will need to apply and provide appropriate assurance to the Council before awards can be made.

From the list of roughly 12,000 rates paying businesses in the borough, a targeted list of 2,300 have been identified using the criteria below. It is proposed to make a pro-active award of up to £2,000 per business within this list by the 30 September deadline, should there be sufficient residual funding within the scheme. This would allocate up to £4.6m of the remaining £4.7m and leave the remaining £0.1m for any other applications received.

While making larger awards to businesses who have completed the application process, and only making an award of £2,000 to those who have not, the council is minimising its exposure to the risk of clawback, should in the future the Government determine that any pro-active awards were inadvertently made to ineligible businesses.

The additional criteria have been designed to underpin the council's objectives regarding an inclusive economy and community wealth building principles. For instance, this targets businesses and organisations in the voluntary sector who may

have additional hereditaments. In addition, it enables support for educational or non-profit-distributing enterprises who also have multiple hereditaments. These cohorts are important to the fabric of an inclusive economy in supporting local small businesses, as well as vibrant, diverse community and cultural networks.

The criteria used to identify this targeted list are as follows:

- Have properties in Islington with rateable values of less than £50,000
- Have correspondence addresses that indicate they are local to Islington (identified via their postcodes), except where the occupier has educational or charitable/non-profit-distributing purposes
- Only have one property in Islington, except where the occupier has educational or charitable/non-profit-distributing purposes
- Are considered likely to accept a CARF award (e.g. not proactively award to banks, multinationals & similar)
- Are considered unlikely to have exceeded their subsidy allowance limit (through the exclusion of businesses with multiple hereditaments or clearly part of a chain).

When making a pro-active award to these businesses, we will send them a clear letter stating that whilst we believe the business is eligible, they MUST contact us as soon as possible if they believe they are not eligible.

We will promote the pro-active awards through social media channels and additional outreach work by officers.

We therefore propose to change the CARF scheme to make these pro-active awards.

This will leave £0.1m as a 'buffer' for further applications. The scheme will close to further awards using the "application process" as distinct to "pro-active awards", once any remaining budget is awarded or by 5 September whichever is earlier. This will allow enough time for applications received to be considered, including gathering evidence, for any award to be made by 30 September.

### **Decisions:**

- 1.1 To change the closing date for "Tranche 1" applications, from 31 May 2022 to 5 September 2022
- 1.2 To change the final distribution date for "Tranche 2", from 4 September 2022 to 10 September 2022
- 1.3 To use any remaining CARF funds after Tranche 2 allocations, to make a pro-active (without application form) award of up to £2,000 to businesses the Council believes to be eligible, that also meet the following criteria:
  - a) Have properties in Islington with rateable values of less than £50,000

- b) Have correspondence addresses that indicate they are local to Islington, except where the occupier has educational or charitable/non-profit-distributing purposes
- c) Only have one property in Islington, except where the occupier has educational or charitable/non-profit-distributing purposes
- d) Are considered likely to accept a CARF
- e) Are considered unlikely to have exceeded their subsidy allowance limit

## **Proposed decision date: 2 September 2022**

### **1. Implications**

**2. Financial Implications:** This decision seeks to make proactive payments to eligible businesses. Once the scheme is allocated within the funding available, the scheme will close. If the Council makes payments to ineligible businesses, it will be unable to reclaim these from the Government. This risk has been mitigated through the targeting of businesses and the requirement for businesses to make the Council aware if it believes itself to be ineligible. The amount of pro-active payments to be made is £4.6m and this will take the form of a relief applied to business rate accounts.

**3. Legal Implications:** This Report relates to amendment to the Council's CARF Scheme for small businesses and the distribution of Government Covid Grant. The proposed amendment, making payments automatic, is a lawful exercise of discretion, in accordance with Section 47 of the Local Government Finance Act 1988. The amendment does not give rise to subsidy issues.

**4. Environmental Implications:** This report does not have any direct environmental implications.

**5. Equality 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.

**6.** This decision seeks to change the method of payment for an existing scheme and not vary the scheme eligibility therefore there are no equalities impacts to consider.

### **Reason for the decision:**

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

**Record of the decision:**

I have today decided to take the decision set out in section 1 of this report for the reasons set out above.

# Stephen Biggs

**Stephen Biggs, Corporate Director of Community Wealth Building**

Date: 2 September 2022

**Appendices:**

Appendix 1 Original CARF scheme as agreed at the Budget Meeting

Appendix 2 Urgent Key Decision Report April 2022

Appendix 3 COVID-19 Additional Relief Fund (CARF) award letter

**Background papers:** None

**Responsible Officer:**

Stephen Biggs, Corporate Director of Community Wealth Building

**Report Authors:**

Caroline Wilson, Director of Inclusive Economy and Jobs

Paul Clarke, Director of Finance

Andrew Spigarolo, Head of Revenues & Technical Services

**Legal Implications Author:** Peter Fehler, Director of Law & Governance