

Report for: Urgent Cabinet Member Signing 12 June 2020

Title: COVID-19 Discretionary Grants Fund Scheme

Report authorised by: Mark Baigent – Interim Director Housing, Regeneration & Planning

Lead Officer: Peter O'Brien – Assistant Director Regeneration & Economic Development

Ward(s) affected: All

**Report for Key/
Non Key Decision:** Key

1. Describe the issue under consideration

- 1.1 The government has announced a range of financial support packages in response to the economic impact COVID-19. This included the Small Business Grant and the Retail, Hospitality and Leisure Grant funds which are providing support to over 3,000 Haringey businesses.
- 1.2 However, a significant number of businesses were ineligible for support based on the criteria set out by the Government for these two schemes. Following lobbying by Haringey Council and others, a Discretionary Grants Fund Scheme was announced by the Government on the 1st May 2020.
- 1.3 This report provides details of the guidance issued to local authorities (sections 5-9) and makes recommendations on the eligibility criteria and grant levels to be awarded (sections 10-15).

2. Recommendations

- 2.1 That the Cabinet Member for Local Investment and Economic Growth:
 - 2.1.1. Approves the Haringey Discretionary Grant Scheme as described in this report and appendices.
 - 2.1.2. Delegates authority to the Director of Housing, Regeneration and Planning in consultation with the Cabinet Member for Local Investment and Economic Growth decisions to agree the criteria for the disbursement of any residual funds after the scheme has been fully applied.

3. Reasons for decision

- 3.1. COVID-19 is having a significant impact on both local businesses and the local economy.
- 3.2. The Discretionary Grants Fund Scheme will enable the council to support some businesses who were not eligible for a grant under the previous two schemes.
- 3.3. The guidance issued by the government identifies its priorities for which businesses should be supported but allows for local authorities to design their own scheme within the constraints of the mandatory criteria set out in the guidance.
- 3.4. Haringey Council is committed to Community Wealth Building. In the Borough Plan we have stated that we want to build the strength, depth and wealth of our local economy to support our businesses and residents to thrive. Community Wealth Building will be key element in supporting our businesses to recover from COVID-19. The Haringey local scheme will support many small and micro businesses, who lie at the heart of our economy, includes a number of charities, and specifically includes many of our nurseries who play such an important role in supporting the social, community and economic fabric of our borough.

4. Alternative options considered

- 4.1. The proposals set out in this report are considered to be the most effective overall scheme taking into account the sum allocated to the council, the criteria set by the Government, and reflecting the council's intelligence on local circumstances.
- 4.2. A number of alternative models have been considered and the council is aware of a range of scheme designs being progressed by other boroughs.
- 4.3. Option 1: first come first served – advocated by a number of boroughs where the sum allocated cannot possibly cover the potential number of businesses. In Haringey's circumstances, it is felt that the scheme could be designed in a manner which would provide a reasonable grant level to eligible applicants. Option 1 would have left a large number of potentially eligible businesses being refused once the scheme had been exhausted.
- 4.4. Option 2: points based approach – this approach was felt to be administratively cumbersome and time-consuming and would lead to long processing times. Given the financial situation of many Haringey businesses, speed was felt to be of the essence and hence administrative simplicity is favoured.

5. Background

The Discretionary Grants Fund Scheme and Government Guidance

- 5.1. The government announced the Local Authority Discretionary Grants Fund Scheme (DGF) on the 1 May 2020.
- 5.2. Guidance was issued on 13 May 2020 and this was updated on 22 May 2020 with technical questions and answers issued on 26 May 2020.
- 5.3. This Fund is aimed at small and micro businesses who were not eligible for the Small Business Grant (SBG) or the Retail, Hospitality and Leisure Grant (RHLG) funds.
- 5.4. A summary of the guidance is shown below, with further details in Appendix 1.

Funding

- 5.5. The funding allocation for this scheme is of 5% of projected spend for the initial two grant schemes. The baseline funding allocation for Haringey is £3.153m.
- 5.6. The government will meet New Burdens Costs in relation the administration of this fund.

Grant Payment Levels

- 5.7. The guidance states that local authorities may disburse grants to the value of £25,000, £10,000 or any amount under £10,000. The value of payments to be made to businesses is at the discretion of the local authority.
- 5.8. Local authorities should set out on their websites clear criteria for determining the appropriate level of grant to give businesses clarity, and clear guidance as to which business types are being prioritised.

Government guidance on who should benefit from the Scheme

- 5.9. The guidance allows for local authorities to exercise local knowledge and discretion, recognising economic need varies across the country. It sets out national criteria but allowing local authorities to determine which cases to support within those criteria.
- 5.10. Where limits to funding require local authorities to prioritise which types of businesses will receive funding, it is at each authority's discretion as to which types of business are most relevant to the local economy. There will be no penalties to local authorities because of their use of discretion to prioritise some business types.

Eligibility

- 5.11. This grant funding is for businesses that are not eligible for other support schemes.
- 5.12. Businesses should confirm that they are eligible for the grant scheme and that payments accepted will be in compliance with State Aid requirements.

Haringey Discretionary Grant Scheme

- 5.13. A summary of the proposed scheme is detailed below, with further details shown in Appendix 2.

Principles applied to developing Haringey's Local Scheme

- 5.14. A set of criteria is proposed that is considered to be:
 - 5.14.1. Proportionate – size of individual grant payments appropriate to level of fixed costs included in criteria.
 - 5.14.2. Wide reaching – getting some support to as many businesses as possible, recognising there are insufficient funds to reach all businesses who need support.
 - 5.14.3. Logical – a consistent, streamlined approach which reduces the risk of appeals/complaints, is not overly resource intensive with a tangible mechanism of calculating grant payments.
- 5.15. Scheme details will be published on the council's website.

Priority Groups

- 5.16. In determining the recommended priority business groups eligible for support through the scheme, consideration has been given to the social and community value these businesses bring to the local economy as well as targeting the small and micro businesses not eligible for support from the SB or RHLG.
- 5.17. Therefore, it is recommended that the four priority groups identified in the guidance are eligible for this scheme.
- 5.18. Childcare nurseries in receipt of nursery rate relief, or who pay a rent inclusive of business rates, are not eligible for the SBG or RHLG schemes.
- 5.19. Recognising the social value of childcare nurseries as well as the economic value in supporting residents returning to work, it is recommended this business group is also included.

- 5.20. It is estimated that prioritising these 5 groups will enable the council to provide support to a further 970-1,200 businesses.
- 5.21. The council's estimate is that the fund would be exhausted after allocating to these categories.
- 5.22. For this reason, it should be recognised that there are a number of business groups who were not eligible for support through the SBG or RHLG who will not be covered by this scheme.

Local Eligibility Criteria

- 5.23. The mandatory criteria identified in Appendix 1 sections 1.7-1.11 will apply.
- 5.24. The following groups will be eligible to apply
 - 5.24.1. The four priority groups identified in the guidance
 - 5.24.2. Childcare nurseries with rateable value, annual rent or annual mortgage up to £51,000
- 5.25. With the exception of bed and breakfasts, businesses operating from residential premises will not be eligible to apply.
- 5.26. No other business group will be eligible to apply.
- 5.27. Only businesses located in Haringey will be eligible to apply.

Grant Calculation

- 5.28. Grants will be based on a payment of 3 months rent plus fixed property costs.
- 5.29. If an applicant has received a rent holiday from their landlord, then any grant payment will be reduced accordingly.
- 5.30. It would however be possible to allocate a top up to grant payments if there is any funding left once initial grant payments from the discretionary fund allocation are made.
- 5.31. Priority for a top up to be given to those who had their initial grant payment capped.
- 5.32. In the event there is any funding left after applying a top up as identified in 5.31, it is recommended that a top up payment is made to all successful applicants up to a cap of £10,000.
- 5.33. It would be more straightforward to make a fixed grant payment to all applicants, but this would not enable us to support as many local businesses.

Application and Checking Process

- 5.34. The application and checking process has been designed to ensure payments are made to successful applicants as quickly as possible.
- 5.35. This will be an application process. It is recommended that applications are open for a 2 week window.

Financial Implications

- 5.36. Sensitivity testing of the proposed criteria and grant calculation method has been undertaken.
- 5.37. This has been done on estimated potential applicants, with estimated rent and fixed premises costs.
- 5.38. This has been done to provide assurance, as best we can, the proposed scheme is affordable within the funding allocation.
- 5.39. For the purpose of the sensitivity testing, fixed costs have been assumed at 20% of rent.
- 5.40. Potential costs based on these assumptions are:

	Lower Range No. applicants	Upper Range No. applicants	Lower Range Estimate	Upper Range Estimate
Shared Office/Workspace - Self Contained - Ave £950pm rent	550	650	1,881,000	2,223,000
Shared Office/Workspace - Coworking - Ave £200pm rent	200	300	144,000	216,000
Regular Market Traders - Ave £950 pm costs	10	20	51,300	68,400
Bed and Breakfast - Assume £5k grant cap	5	10	25,000	50,000
Charity Properties - Assume £5k Grant Cap	135	135	675,000	675,000
Total 4 Priority Groups			2,776,300	3,232,400
Nurseries - Assume £51k RV cap and £5k grant cap	70	70	350,000	350,000
Total inc nurseries			3,126,300	3,582,400

- 5.41. It can be seen that the lower range of the estimate is within the funding allocation. Above that lower range, not every eligible applicant will receive a grant.

6. Contribution to strategic outcomes

- 6.1. The Discretionary Grant Fund Scheme as detailed in this report will help maintain a sustainable economy by providing financial support to as many businesses as possible within the agreed criteria, thus increasing the likelihood of those businesses being able to reopen as COVID measures allow.

7. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance

- 7.1. The baseline funding allocation for the discretionary funding scheme is £3.153m.
- 7.2. Finance have been involved in the determination of fair basis for the distribution of the grant to the 5 categories of eligible business identified in the borough.
- 7.3. This basis and principles as highlighted in sections 5.14 - 5.15 and 5.28 -5.33 ensure that the available funds are distributed to eligible businesses in fair proportion.
- 7.4. The upper range estimates as shown in table 5.41 would create a pressure of about £0.4m if all the estimated applicants are successful.
- 7.5. In the event of this, the total pay-out will be limited to £3.153m in line with the Local scheme principles.

Procurement

- 7.6. There are no procurement implications.

Legal

- 7.7. Section 1 of the Localism Act 2011 provides all local authorities with the powers to make these grant payments to eligible businesses. Local authorities have discretion to make payments of any amount up to the value. £25,000, £10,000 or any amount under £10,000.
- 7.8. Grants under the Local Authority Discretionary Grants Fund are capped at £25,000. Government Guidance states that it expects payments of under £10,000 may be appropriate in many cases.
- 7.9. It will be for local authorities to adapt eligibility criteria to local circumstances, such as providing support for micro-businesses with fixed costs or support for businesses that are crucial for their local economies. Local authorities should set out clear criteria for determining the appropriate level of grant to give businesses clarity.

- 7.10. The award of discretionary reliefs, discounts or grants are considered State aid. The De Minimis rules have been increased to €800,000 (£734,000) subject to certain conditions.
- 7.11. Therefore, any organisation qualifying for this grant will be required to return a declaration confirming that the award of the grant will not exceed State aid limits.

Equality

- 7.12. The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
- 7.12.1. Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
 - 7.12.2. Advance equality of opportunity between people who share those protected characteristics and people who do not
 - 7.12.3. Foster good relations between people who share those characteristics and people who do not.
- 7.13. The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.
- 7.14. The proposed decision is to approve the Haringey Discretionary Grant Scheme to provide financial support to small and micro businesses who were not eligible for the Small Business Grant or the Retail, Hospitality and Leisure Grant.
- 7.15. This will impact business owners and employees working in small and micro businesses in the borough. The government recommended four groups are eligible for the grant as they were not covered by previous government support schemes in relation to COVID-19: small businesses in shared office or other flexible workspaces (including co-working space); regular market traders with fixed property costs; bed and breakfasts; charity properties. The Council recommends adding a fifth group, nurseries, due to the social and economic value they provide by supporting residents to return to work.
- 7.16. The vast majority of businesses are SMEs, employing fewer than 250 people (accounting for 99% of businesses in the borough). 91% of businesses in Haringey are micro in size, employing between 0 and 9 employees.
- 7.17. Half of business owners in the borough are of a white background, with a variety of other ethnicities also being business owners. Commons backgrounds include Black, Asian, Turkish, (each representing c. 5% of business owners), and Middle Eastern (<5%). A much higher proportion of business owners tended to be male, accounting for 84% of businesses. 1% of business owners are LGBT and 1% are disabled.
- 7.18. In terms of employment, young people, female and BAME residents in Haringey are more likely to be economically inactive than older people, male

and white residents. Male residents are more likely to be in self-employment than female residents. 1 in 4 residents in employment are self-employed. Self-employed people are eligible for the proposed scheme.

- 7.19. The objective is to provide a grant to all eligible businesses, while recognising that if demand exceeds supply grants will be processed in order of receipt, meaning that some eligible businesses will not receive a grant.
- 7.20. The proposed decision will improve the viability of small and micro businesses in Haringey which, in turn, provide employment for Haringey's diverse communities.
- 7.21. Officers have identified the risk that demand for the grant may exceed supply, resulting in the imposition of a first-come first-served administration of the scheme. To mitigate this in order that the scheme remains equitable, officers will have to effectively communicate the availability of the scheme to all communities in the borough. This may entail communication through online and offline channels and through business networks in all areas of the borough. It may require communication in languages other than English.
- 7.22. The decision to support childcare nurseries should benefit women, who are underrepresented in the labour market in the borough, as they are more likely to be prevented from returning to work if childcare nursery businesses were to fail.
- 7.23. In summary, the decision is likely to lead to increased business viability in the borough which will ameliorate some of the worst effects of the widened inequalities caused by the COVID-19 pandemic by providing income, employment and continued circulation of money through local supply chains. The decision to support childcare nurseries should have a positive impact on addressing inequalities faced by women, by improving access to childcare facilities so that they may return to work.

8. Use of Appendices

Appendix 1 - The Discretionary Grants Fund Scheme and Government Guidance
Appendix 2 - Haringey Discretionary Grant Scheme

9. Local Government (Access to Information) Act 1985

N/A