

Committee(s): Policy & Resources Committee – For decision	Date(s): 11/03/2021
Subject: COVID Business Recovery Fund: Initial Considerations	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	4, 7, 8, 10, 12
Does this proposal require extra revenue and/or capital spending?	Y
If so, how much?	£50 million
What is the source of Funding?	City's Cash
Has this Funding Source been agreed with the Chamberlain's Department?	Y
Report of: Town Clerk, Chamberlain, Director of Innovation & Growth, City Surveyor	For Decision
Report author: Peter Lisley, Town Clerk's Department	

Summary

This report proposes outline criteria for a new City of London COVID Business Recovery Grant with £50m of funding available to support small businesses in the City of London which have been affected by the pandemic. The scheme is designed to support businesses which contribute to the City's vibrancy at street level and directly provide services to returning City workers and residents. This necessary infrastructure for a successful City has been affected by enforced closure or low footfall and the scheme will seek to support those businesses that can evidence, through the grant application process, a likelihood that with support they have a reasonable chance to survive beyond the short term.

Comments are sought on the proposed scheme design to allow officers proceed at pace finalise the scheme design and procure the necessary support from professional firms which will allow the final scheme to be approved at the next Policy & Resources Committee on 8 April and open as soon as possible.

Recommendation(s)

Members are asked to:

1. Agree to the outline scheme design Option B.
2. Comment and advise on the scheme eligibility criteria to be used – paragraph 19.
3. Establish a small Member Sounding Board to provide guidance to officers as the scheme is established and implemented. The membership is recommended as ex-officio posts for the Chair and Deputy Chairman of the Policy & Resources Committee, the Chairman of the Finance Committee and the Proposer of the Court Amendment.
4. Authorise officers to procure external provider(s) for financial viability assessments, with approval to support the recommended procurement option, should it be needed, delegated to the Town Clerk in consultation with the Chair and Deputy Chairman of Policy and Resources Committee.

Main Report

Background

1. The City of London Corporation is committed to supporting the Square Mile's economic recovery from the pandemic and building back better.
2. As part of those efforts elected Members decided unanimously at the Court of Common Council on 4 March 2021 to set up a City of London COVID Business Recovery Fund.
3. The aim was to alleviate some of the worst effects of the pandemic on the Square Mile's support infrastructure and enable the City to emerge with a functional and thriving economy.
4. The fund follows the support already provided by the City Corporation to its tenants throughout the Covid-19 pandemic including rent deferrals, rent holidays and offering rent to be charged on a turnover basis.
5. The report concerning a Recovery Promotional Campaign on today's agenda will support the aims of this initiative by seeking to increase footfall for the businesses the COVID Business Recovery Fund will assist.

Government Grants

6. It is proposed that grants from the fund will be awarded in addition to support that has already been made available by HM Government.
7. Government, through BEIS have previously provided funding to local authorities to administer a discretionary Additional Restriction Grant (ARG). The funding for this grant scheme was allocated based on residential population. Despite the City having the second largest business base in the country, this allocation methodology has meant that there have been insufficient funds to operate a meaningful discretionary grant scheme. This has disadvantaged City businesses.
8. BEIS has allocated the City £280,772 to administer to eligible businesses under this scheme. To give this context Westminster City Council received £7.5m. The City has approximately 22,300 businesses with a business rate assessment that are based in the City of which 1,800 businesses have qualified for the 100% Business Rate Enhanced Retail, Leisure and Hospitality Relief totalling approximately £130m in business rate relief.
9. The City has issued Business Grant support to businesses totalling around £34m. A full breakdown of the grants paid to date is recorded in the Key Data section below.
10. The Chancellor announced further support for businesses during the 3rd March budget. 'Restart Grants' of up to £6,000 per premises for non-essential retail businesses and up to £18,000 per premises for hospitality, accommodation, leisure, personal care and gym businesses. These will be administered over the

coming months. He also announced further Discretionary Grant Funding of £425 million. If the same allocation process is used (resident population), it is unlikely to be of any material benefit to City Businesses.

Current Position

11. The Court approved the creation of the City of London COVID Business Recovery Fund in the following terms proposed by Sir Michael Snyder and Seconded by Sheriff Christopher Hayward:-

*“Agree the creation of a **City of London Covid Business Recovery Fund** to alleviate some of the worst effects of the pandemic upon the Square Mile’s support infrastructure and to enable the City to emerge with a functional and thriving economy, by drawing-down up to £50 million from City’s Cash balances and short-term financial investments, or alternatively financed through borrowing.*

Grants from the Fund will be made available to small and independent retailers and hospitality businesses together with those providing clinical and professional services (e.g. dentists and opticians) necessary for the successful return of all those who work in businesses in the City.

Businesses applying for support from the Fund, the process of which must be easily accessible, must demonstrate that they are capable of surviving on a viable and going concern basis and that owners have taken necessary steps including, where possible, financial contributions to their business.

Grants from the Fund would normally be dependent on the businesses also receiving substantial financial support (not just rent deferrals) from their landlords.

Officers are instructed to bring forward a report to the next meeting of the Policy & Resources Committee, who will be responsible for the fund and its deployment, recommending arrangements and detailed criteria to implement the deployment of the Fund, including the appointment of professional firm(s) with relevant expertise necessary for providing advice and support to enable the Fund to commence making grants as soon as is reasonably practicable.”

12. Officers have considered the above and consulted with your Chair and the Proposer and Seconder of the Amendment to draw out the key issues any scheme should seek to address so that a scheme can be designed and implemented as soon as possible. These are presented in draft within Option B below.

Options

A. Develop a scheme based upon previous HM Government ones with extensions for certain businesses which did not previously qualify

13. These schemes have the advantage of being relatively easy to administer and it is possible to make payments quickly after application and anti-fraud checks.

14. A scheme of this nature could be administered within existing City Corporation staff resources.
15. It is estimated that approximately 2,000 businesses in the City would be eligible under the terms of the Court of Common Council Amendment. This scheme design could, therefore, result in grants to all of such business of approximately £25,000.
16. Such a scheme would not, though, address the requirement of the Amendment to “demonstrate that they are capable of surviving on a viable and going concern basis and that owners have taken necessary steps including, where possible, financial contributions to their business” or encourage Landlords to support these businesses.
17. This option is therefore not recommended.

B. Develop an independent discretionary grant scheme with its own eligibility criteria that is aimed at supporting small businesses in their recovery.

18. This option is designed to support businesses which contribute to the City’s vibrancy at street level and directly provide services to returning City workers and residents. This necessary infrastructure for a successful City has been affected by enforced closure or low footfall and the scheme will seek to support those businesses that can evidence, through the grant application process, a likelihood that with support they have a reasonable chance to survive beyond the short term.
19. In order for an application to be accepted as valid, the City must be satisfied, partly through the provision of suitable documentary evidence, that the application meets all of the following **draft proposed criteria** on which Members are invited to give guidance:
 - I. The business is a small independent business or local chain which satisfies 2 of the following 3 criteria and pays the Living Wage.
 - i. Turnover: less than £5m
 - ii. Employees: fewer than 50
 - iii. Net Assets: less than £250K

[Research to be published shortly in support of a City SME Strategy has identified that there are 4399 SMEs across the City that fall within the Companies House definition who also don’t have a parent company. 79% of SMEs being Micro sized business (Under 10 staff, turnover of under £632k and under £316k gross assets)].

- II. The business is a small or independent retailer (including personal care), hospitality business or provides professional services (e.g. dentists and opticians) necessary for the successful return of all those who work in businesses in the City.

a. Should the criteria be expanded to include small independent hotel and bed & breakfast accommodation & leisure and sports facilities?

- III. The business is located solely or mainly in the City in a permanent location and has been in situ since 11 March 2020 (the date HM Government used to determine eligibility for the first grant schemes). The business is currently operational / trading at the property or will be trading at the property once restrictions are lifted.
 - IV. If the business does not have a separate business rate assessment such a business would be expected to contribute to the vibrancy of the street scene, contribute to increased footfall within the City and provide a service necessary for the for the successful return of all those who work in businesses in the City. As such the substantial majority of business would be expected to be with returning City workers or residents.
 - V. The business did not necessarily have to close but would need to evidence that business has been seriously impacted by low footfall in the City.
 - VI. The business has taken steps to reduce its costs as far as practically possible to assist business viability. Business owners have taken all reasonable steps to take up other grants/loans. The business should have actively engaged with its landlord and sought rental support throughout the pandemic. It would be expected that a rent-free period and a renegotiated lease has been agreed to ensure future viability of the business.
 - VII. Business should operate in a COVID secure manner, complying with regulations in force at the time, including maintaining appropriate contact tracing information to assist the City Corporation's local contact tracing operation. In addition, businesses should be members of the City of London's COVID Compliant Accreditation Scheme to reassure customers that they have systems in place to minimise risks associated with COVID-19 and that their premises are safe to visit.
20. The above criteria set the basic **draft** framework of expectations for eligibility for the scheme. It is suggested that no single grant would be awarded of more than £100,000 (tbc) and grant size will ultimately depend upon an assessment of a business's viability to survive beyond the short term, the number of qualifying applications and the available funding.
21. It is expected that there will be refinements as the scheme is developed and this is discussed in paragraphs 24 and 34 - 37.
22. Subject to initial Member feedback on the suggested criteria, this option is recommended.

Proposals

23. There is, clearly, a large volume of complex activity to be undertaken and co-ordinated, with challenging timescales and significant sums of money potentially involved. Ensuring effective governance structures and Member oversight of the Scheme put in place is, therefore, of the utmost importance.
24. Formal decision-making by Members should continue to be made through the appropriate committees. However, in order to ensure that any proposals are developed as robustly as possible, it is suggested that it would be prudent to establish an informal Sounding Board of Members, to work with officers and provide strategic guidance, acting as a critical friend as any the Scheme is developed. This informal Sounding Board would facilitate a more expeditious and effective design process through ensuring that an appropriate framework and challenge process is in place, thereby facilitating the establishment of an approach that meets with Member expectations from the outset.
25. It is recommended that these Members be the Chair and Deputy Chairman of the Policy & Resources Committee, Chairman of the Finance Committee and the Proposer of the Court Amendment.
26. It is expected that support via email would be sought to provide agile advice on issues as and when they occur couple with ad-hoc Teams meetings if necessary.
27. The draft steps of workflow to delivery grant payments are given below for comment.

Advertisement of the Scheme

28. The Director of Communications will take the following actions to advertise the final scheme:-
 - Issue a News Release quoting the Policy Chair and Chairman of Finance once the final fund has been approved by April Court of Common Council and amplify the news release through digital channels.
 - Use our LinkedIn and Facebook accounts as well as our business-focused Twitter feeds @CBL_London and @bizhealthy to target relevant businesses.
 - Use our paid for advertising in local newspapers City Matters and City AM to publicise the fund.
 - Share appropriate information with Members to allow them to provide visible civic leadership and reassurance to local businesses.
 - Share appropriate information with City stakeholders to allow them to perform their roles effectively.
 - Use small business networks to amplify messages.

Application Process

29. An online form will be procured from a company that has already delivered similar online applications for London Boroughs. This would be accessed through the City of London website and all businesses will be able to apply and attach supporting documentation.
30. As part of the process, the company will also carry out a number of automatic checks that will assist with preventing fraud.
31. For those very small businesses unable or unsure of applying online appropriate support will be provided via the City Business Library staff.
32. Certain eligibility checks against the criteria at paragraph 19 will be carried out at this time by the City of London Corporation.
33. To ensure an accurate forecast of the likely call on the fund can be made it is likely that a fixed application period of at least 4 weeks would be set.

Business Viability Assessment

34. It is recommended that a third-party firm or firms are engaged to carry out financial viability assessments on qualifying businesses. Officers are reviewing options to procure specialist corporate recovery advice. This would ensure that applications can be processed as fast as possible by flexing capacity and ensure that an appropriate commercial assessment is undertaken to ensure the aims of the COVID Business Recovery Fund are met.
35. It is unclear of the potential value of this appointment at this stage. Procurement will advise on options, depending on value this could include use of a waiver or use of Regulation 2.2 in procurement policy code, as City Cash is the source of funding.
36. The third party would be tasked with reviewing appropriate business records (which would be sought at the application stage) and recommending the level of grant which would make a material difference to a business's viability and a grant payment schedule. Any grant may be paid in instalments (say quarterly over a year or more) with a light touch review before each payment to ensure continued viability and adherence to the grant conditions.
37. It is recognised that the assessment process undertaken by the third party would benefit from co-designing with City Corporation Officers. The City Surveyors have relevant experience in negotiating with tenants and have created a "ready reckoner" to inform decision making. The Chamberlains have experience of the grant schemes to date and will need to ensure that recommendations as to grant awards satisfy audit and anti-fraud requirements. A quality assessment, by the Chamberlain's financial appraisal team, of a sample of the initial assessments will also be built into the process to ensure aims of the COVID Business Recovery Fund are being met.

Payment

38. A check will be carried out by the City Revenues Team to ensure they meet the requirements that are linked to the Business Rate accounts where applicable.
39. Once agreed the application will be passed to the Accounts Payable to issue the payment or first in a series of payments depending upon the grant recommendation.

Review

40. Businesses in receipt of a grant will be reviewed at regular intervals to determine whether they are still trading as a measure of the scheme's success.
41. When it has been recommended that a grant is paid in a number of instalments a light touch review of the business's current health will be conducted before payment of the next instalment.

Next Steps

42. Following consideration of this report at Policy and Resources Committee on 11 March 2021 officers will quickly amend the scheme design to reflect any decisions made in that Committee. It will then be necessary to speedily procure the appropriate support to enable the scheme to be administered online and financial viability assessments to be made.
43. The intention is to bring a more worked up proposal back to Policy & Resources Committee on 8 April and launch the scheme as soon as possible.

Key Data

44. The City Corporation has distributed the following funding to City businesses:
 - £20.4m in Small Business and Retail and Leisure Grants to around 1,400 SME businesses.
 - Approximately £730K in discretionary grants to assist a total of 100 small medical businesses, market traders and small charities that were not able to access the other Government grant schemes.
 - To date the City has paid Local Restriction Support Grants for the period from 5th November to 2nd December totalling £2,178,050.00 to 873 businesses.
 - To date the City has paid 575 businesses a total of £214,905.81 for the Local Restriction Support Grant for the period the City was in Tier 3 from 2nd December to 19th December.
 - To date the City has paid 787 businesses a total of £1,116,410.96 for the Local Restrictions Support Grant (Closed) addendum - Tier 4 from 19th December up to 5th January 2021.
 - To date the City has paid the Local Restrictions Support Grant (Closed) addendum - Post 5 January 2021 to 787 businesses totalling £2,930,571.

- The City has paid the Closed Lockdown Grant (a one-off payment) to 870 businesses and this totalled £6,515,000.00.
- The City has paid the Christmas Support Grant Payment scheme to 93 pubs and bars totalling of £93,000.

Corporate & Strategic Implications

45. The City of London Corporation is committed to supporting the Square Mile's economic recovery from the pandemic and building back better. The COVID Business Recovery Fund aims to alleviate some of the worst effects of the pandemic on the Square Mile's support infrastructure and enable the City to emerge with a functional and thriving economy.
46. The fund follows the support already provided by the City Corporation to its tenants throughout the Covid-19 pandemic including rent deferrals, rent holidays and offering rent to be charged on a turnover basis.

Financial implications

47. Funding will be provided from a drawdown of City's Cash reserves.

Resource implications

48. For either option outlined today an online application form and pre-screen system will be procured.
49. If Option B is agreed, as recommended, there will be a need to procure specialist third-party corporate recovery advice to carry out the viability checking and grant determination.
50. Depending upon the scheme design there may be a need for extra support internally for Quality Assurance, grant processing and management of the process.

Legal implications

51. Once the scheme has been designed in more detail it will be assessed for compliance with State Aid regulations.

Risk implications

52. There is a risk that the scheme could become too complicated which would deter businesses from applying and cause unnecessary delay to grant payments. Engagement with the proposed Member sounding board will help ensure alignment is kept agreed policy and the scheme is not "over-engineered".

Equalities implications

53. It is proposed that as a condition of the grant scheme that all recipients should pay the Living wage. It is not expected that this grant scheme will have equalities impacts, however this will be kept under review as the scheme is developed further.

Climate implications

54. Nil.

Security implications

55. Communication and awareness raising is already planned to encourage workers returning to the City to be aware of their surroundings – especially in public spaces and retail areas.

Conclusion

56. This report outlines initial officer considerations following the unanimous approval of the Court of Common Council Amendment to establish a City of London COVID Business Recovery Fund. The recommended solution (Option B) seeks to ensure that viable businesses are supported during the recovery from the pandemic and are able to provide the supporting services required by workers returning to the City and residents. If agreed work would be taken forward urgently to ensure the scheme can be launched as soon as is possible.

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