

BLABY DISTRICT COUNCIL – DISCRETIONARY GRANTS SCHEME FOR COVID-19 HARDSHIP

1 Introduction

In response to the Coronavirus, COVID-19 crisis and lock down arrangements, the government announced there would be support for small businesses, and businesses in the retail, hospitality and leisure sectors, delivered through the Small Business Grant Fund and the Retail, Leisure and Hospitality Grant Fund. The Council expects to have provided financial support to circa 1,000 rate-paying businesses, charities and other organisations. This fund remains open for any potential ratepayers that have not yet claimed. There was no requirement to publish a local policy.

On 1st May 2020 the Government outlined a Local Authority Discretionary Grants Fund. On 13th May 2020 guidance was published. The Blaby District Discretionary Grants Fund is the subject of this local scheme. It is designed to assist small businesses that were not eligible for the Small Business Rate Grant Fund or the Retail, Leisure and Hospitality Fund and which are struggling to operate due to the Coronavirus shutdown and are unable to access other grant funding.

2 How will the grants be provided (legislative framework)

Blaby District Council will be responsible for delivering discretionary grants to eligible businesses. Section 1 of the Localism Act 2011 provides for the necessary permissions to make these awards and payments.

3 Summary of Grants Fund

The fund for Blaby district businesses is managed by Blaby District Council. The Council must follow the guidance set by the Government. It is the intention of Blaby District Council to exercise its powers under the Act (in 2 above) to award discretionary grant payments to eligible businesses and charities within the scope of this document which follows the government guidance as far as is practicable to do so.

Local authorities are required to set out the scope of the scheme on their website and (i) provide guidance on which types of business are being prioritised (ii) explain the rationale for the level of grant to be provided.

The Government intends that this scheme widens access to support to businesses that are struggling to survive due to the Coronavirus shutdown but are unable to access other grant funding.

Local authorities are asked to make payments as quickly as possible. Blaby District Council will make every effort to do so.

The Council is not able to consult on the development of this scheme given the tight timescales for development, preparation, assessment and payment.

The guidance suggests that local authorities may wish to consider collaborating in the design of their schemes to ensure consistency across a functional economic area. Blaby District Council along with other Leicestershire Councils are mindful of this suggestion, however the extent to which this can be achieved in practice is limited by the significant time constraints and by local priorities.

Funding available will vary from council to council, there is no direct correlation between the funding and numbers of eligible businesses in each area and therefore similar businesses in different council areas across Leicestershire or further afield could be subject to a different prioritisation methodology.

Potential applicants should note that the Council expects businesses to take advantage of other Government support schemes. If eligible for one of the following schemes the business would not be eligible for this discretionary scheme, this includes:

- Small Business Grant Fund
- Retail, Hospitality and Leisure Grant Fund
- The Fisheries Response Fund
- Domestic Seafood Supply Scheme
- The Zoo Support fund
- The Dairy Hardship Fund
- Any other Covid-19 related grant

Grants paid under this scheme will be subject to tax in line with the applicant's tax arrangements.

Businesses that are eligible for the Self-employed Income Support scheme (SEISS) are eligible to apply for this scheme as well. The business will need to satisfy the criteria of a business within the Guidance. For home based businesses the whole value of a mortgage or a rent will not be used in the assessment if that property contains any domestic element. In these cases one eighth of the value of the mortgage or rent would be used in the assessment process and this value, by itself, would not ordinarily be considered to be a relatively high fixed property cost and so would fail the overall eligibility requirement.

Grants awarded will not affect the business ratings list or rates charges payable by the recipient.

An applicant/business that is identified as needing to be added to the rating valuation list resulting in a rates bill may become eligible for a grant being claimable from the Small Business Grant Fund or Retail, Leisure and Hospitality Grant Fund rather than this Grant Fund.

4 Value of the discretionary fund (grant fund information)

The Council's funding allocation is 5% of the expected spending on the Small Business Grant Fund and the Retail, Leisure and Hospitality Grant Fund. The Blaby District Council Discretionary funding allocation is therefore £532,000. If the number of businesses supported under the 2 original funds is higher than expected, the value of this 5% allocation can be adjusted upwards. This discretionary fund is 'cash limited' in that the fund cannot be adjusted to reflect a greater demand for the discretionary fund.

If funding limits apply Blaby District Council will prioritise which types of business will receive funding. The Government guidance states it will be at the local authority's discretion as to which types of business are most relevant to their local economy. There will be no penalty for local authorities as a result of their use of discretion to prioritise some business types.

5 The value of the award/funding to businesses

As funding is fixed and demand unknown, the value cannot be determined until after the application window is closed and all applications have been assessed.

The Government expects that payments of under £10,000 may be appropriate in many cases. The Government guidance stipulated two set amounts at the values of £10,000 and £25,000 and further that such grants are capped at £25,000. There is a lower value of any amount under £10,000 and the value of the payment is at the discretion of the local authority. This discretion will allow the Council to consider local circumstances to support small businesses with fixed costs, impacted significantly by the Covid-19 lockdown and/or those businesses which are important to the local economy.

Due to the small level of funding received by the Council it is not proposed to give out grants of £25,000 as a matter of course. The Council reserves the right to award this level of funding should a business be able to demonstrate exceptional hardship as a result of this crisis. This allocation would be on a case by case basis.

In taking a straightforward approach in determining individual grant levels, as an approximate guide:

70% of the fund will be reserved for the national priorities (at section 6 a to d). The Council reserves the right to award less to particular applicants if the making of such an award would clearly be significantly out of keeping with the balance of costs and the lost income. This is likely if the demand on the whole fund falls under high pressure and a greater focus of funding is required.

20% for the local priorities (at section 6 e). These will be allocated on an individual basis with reference to the actual non-employment costs that are incurred. These costs may not be fully funded but funded on a contribution type basis dependent on the level of demand.

10% of the fund reserved as a contingency amount should any exceptional late application or additions to eligible businesses become necessary.

The Council reserves the right to vary these percentages should the volume of demand or outcomes of the application process require this.

6 What type of business is this grant primarily aimed at (scope of scheme)?

The government framework is aimed at:

- I. A small business defined under the Companies Act 2006 as a company with a turnover of not more than £10.2 million, a balance sheet total of not more than £5.1 million and employing less than 50 staff.
- II. A micro business defined under the Companies Act 2006 as a business with a turnover of not more than £632,000, a balance sheet total of not more than £316,000 and employing less than 10 staff.
- III. Businesses with relatively high ongoing fixed property related costs.
- IV. Businesses that can demonstrate that they have suffered a significant fall in income due to Covid-19 situation.
- V. Businesses that occupy a property (or part of) with a rateable value or annual rent or annual mortgage payments below £51,000.
- VI. Charities (treated as businesses for the purpose of this document) with a rateable value of less than £15,000, which would otherwise qualify for Small Business Rate Relief or Rural Rate Relief.

National priorities

Within the above 6 summarised groups the following sub-groups (national priorities) are eligible for a discretionary grant with priority given to A to D below:

- a. A small business in a shared office or other flexible workspace which does not have a business rates assessment (example – unit in industrial park, science park and incubator type arrangement).
- b. A regular market trader with fixed building costs such as rent who do not have their own business rates assessment. Blaby considers this to mean a trader with a fixed unit (including those with café facilities) and traders with fixed spaces. Account will

be taken of any potential grant support from councils in other areas where the trader may operate. This description does not include car boot traders or other traders that rent stalls on an ad-hoc basis/by the day as there will be little or no on-going fixed property related costs.

- c. Bed and Breakfast accommodation that pays Council Tax instead of Business Rates.
- d. Properties occupied by a charity in receipt of charitable business rates relief which would otherwise have been eligible for Small Business Rates Relief or Rural Rate Relief. This means charitable premises with a rateable value of below £15,000 and not already eligible for either of the original funds.

Local priorities

- e. Businesses considered to be of paramount importance to the local economy and which fall outside of the above 4 schemes and fit into 6A to 6F of this document/policy as listed below. These businesses the Council may wish to support based on fixed property costs pending an adequate funding margin.

Small and micro businesses in smaller shared premises where the Landlord pays the Business rate as a single assessment providing that the annualised mortgage or rent payment is less than £51,000.

Charities operating facilities which meet the requirements of the Retail, Leisure and Hospitality Grant Fund but not premises exceeding the rateable value threshold of £51,000

Small and micro-businesses whose new valuation at the 2017 assessment took them over the £15,000 (Small Business Grant) or £51,000 (Retail, Leisure and Hospitality Grant) thresholds and had appealed the assessment before 11th March 2020.

Other businesses (local priorities) that the Council considers important to the local economic picture for the district that have a relatively high on-going fixed property cost and can also demonstrate that they have suffered a significant fall in income directly due to the Covid-19 crisis:

The level of grant will be determined by

- a. The level of fixed costs
- b. The number of employees
- c. The impact and continuing impact of Covid-19 losses
- d. The business being closed and unable to operate because of the lockdown

7 Eligibility

The business must have been trading on 11th March 2020.

The business must not have been eligible for other support schemes. Any business that is eligible for a grant from any of the following central government Covid-19 related schemes listed below is not eligible for the discretionary scheme:

- Small business grant fund
- Retail, Hospitality and leisure grant fund
- The fisheries response fund
- Domestic seafood supply scheme
- The Zoo Support fund
- The Dairy Hardship fund
- Any other Covid-19 related grant

Businesses that are in administration, or insolvent, or where a striking off notice has been made are not eligible for funding under this scheme.

A qualifying condition is that the relevant property should be wholly or mainly used for the qualifying purposes within this document (or broadly similar). This is about actual use rather than occupation as businesses in properties which are occupied but not wholly or mainly used for the qualifying purpose will not be eligible for a grant.

It should be noted that businesses eligible for the Self-employed Income Support scheme are eligible to apply for this scheme. The business will need to satisfy the criteria of a business within the Guidance. For home based businesses the whole value of a mortgage or a rent will not be used in the assessment if that property contains any domestic element. In these cases a percentage of the value of the mortgage or rent would be used in the assessment process and this value, by itself, would not ordinarily be considered to be a relatively high fixed property cost and so would fail the overall eligibility requirement.

8 The application process

The scheme will operate through an online application process accessible via a website link. Paper forms will be available by contacting ndr@blaby.gov.uk. The questions within each form will be specific to each scenario (bed & breakfast, market trader etc) and the relevant supporting evidence will need to be uploaded via the website or electronically delivered to the ndr@blaby.gov.uk mailbox. Each application will be assessed individually, and an award considered where the criteria has been met, sufficient supporting evidence provided and sufficient funds remaining to do so.

The website will set out the information required from applicants to allow for a fair and equitable assessment of grant entitlement. Applicants will need to evidence:

- Compliance with the scheme eligibility requirements
- Relatively high ongoing fixed property-related costs
- A significant fall in income due to the Coronavirus Covid-19 crisis
- Identification of the business and of the person making the application
- Evidence that the bank account into which any grant will be paid relates to the business, charity etc

Applications can be made from **4.30 pm on 09 June 2020 and 11 pm 24 June 2020**. Any potential applicants should not rely on the assumption that this application window will be extended although the Council reserves the right to do so. Once the application window has closed, the Council will conclude the assessment process, determine the successful applicants and the level of funding to be awarded.

An application will be refused if:

- It does not meet the criteria specified within this scheme.
- The information and evidence is not provided or not provided in a sufficient quantity
- There are not sufficient funds to be able to make payment of an award
- The claim is defective (missing information or data and this has been requested but the information is still outstanding after 10 working days)
- The application appears to contain false, altered, or include deliberately misleading information, or be a false or fraudulent application

Evidence requirements that will/may be sought:

- Copy of lease agreement that shows the shared premises and confirms that the Landlord pays the business rates
- Copies of rental agreements or mortgage statements
- Copies of receipts for rental payments for period January 2020 to May 2020
- Copy of Council Tax bill for the premises
- Marketing material to confirm Bed and Breakfast facility being offered
- Most recent statement of accounts
- HMRC information confirming financial information to confirm a small or micro business
- Copies of bank statements
- Letter signed by the Director of the company confirming the identity

9 Appeal process

If a business disagrees with the decision they can ask the Council to look at the decision again. This is called a 'review'. This will be open to all businesses that feel that they meet the eligibility criteria of this scheme but have not received the grant, or received a grant but not at the correct level. An appeal may only be made on the following grounds:

- The business is of a type specifically stated as being eligible for the funding and the council has omitted to award the grant correctly or omitted to award the correct value

All review requests should be emailed to NDR@blaby.gov.uk giving as much information as you can. The Council Offices are closed at present so personal visitors cannot attend the Council Offices. Sending review requests through the postal system is not recommended and these will be delayed as there are no/few staff operating out of the Council Offices.

All decisions taken on review requests are final and the outcome will be recorded and delivered to the business in writing. If an appeal is successful, the grant will be awarded as soon as practicable.

If an appeal is unsuccessful the only further recourse available to applicants is a judicial review. A judicial review is the means by which the decisions of billing authorities under discretionary powers may be challenged.

10 Managing the risk of fraud

The Council and the government will not accept deliberate manipulation and fraud. Any business caught falsifying their records to gain a grant award will face prosecution and any funding issued will be subject to clawback, as may any grants paid in error.

The government's grants management and counter fraud functions will provide local authorities with access 'Spotlight', a digital assurance tool. This tool will also assist the Council with pre and post payments assurance, including identification of high-risk payments. We will also joint work across councils and government departments in preventing fraud.

11 Payment monitoring and reporting

The Council will be reporting progress in delivering this and the existing grant schemes to the government.

12 State aid

The United Kingdom left the EU on 31 January 2020, nonetheless under the Withdrawal Agreement the State aid rules continue to apply during a transition period, subject to regulation by the EU Commission. The council will need to be satisfied that all State aid requirements have been fully met and complied with when making grant payments, including, where required, compliance with all relevant conditions of the EU State aid De-Minimis Regulation, the EU Commission Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, the approved COVID-19 Temporary Framework for UK Authorities, and any relevant reporting requirements to the EU Commission.

The Council has discretion to make payments to eligible recipients under either the De Minimis rules or the COVID-19 Temporary Framework for UK Authorities (provided all the relevant conditions are met):

- a. Payments of up to and including £10,000 can be provided under the De Minimis rules, meaning applicants can receive up to €200,000 of aid within a three-year period.
- b. Payments of up to and including £25,000 (or where the De Minimis threshold has been reached) should be paid under the COVID-19 Temporary Framework for UK Authorities. The Council will note the conditions attached to the Temporary Framework, including the €800,000 threshold per undertaking (€120,000 per undertaking active in the fishery and aquaculture sector or €100,000 per undertaking active in the primary production of agricultural products), and requirement for recipients to declare they were not an undertaking in difficulty on 31 December 2019. An 'undertaking in difficulty' is defined by GBER (2014) as an undertaking in which at least one of the following circumstances occurs:
 1. In the case of a limited liability company (other than an SME that has been in existence for less than three years), where more than half of its subscribed share capital has disappeared as a result of accumulated losses. This is the case when deduction of accumulated losses from reserves (and all other elements generally considered as part of the own funds of the company) leads to a negative cumulative amount that exceeds half of the subscribed share capital.
 2. In the case of a company where at least some members have unlimited liability for the debt of the company (other than an SME that has been in existence for less than three years), where more than half of its capital as shown in the company accounts has disappeared as a result of accumulated losses.
 3. Where the undertaking is subject to collective insolvency proceedings or fulfils the criteria under its domestic law for being placed in collective insolvency proceedings at the request of its creditors.
 4. Where the undertaking has received rescue aid and has not yet reimbursed the loan or terminated the guarantee or has received restructuring aid and is still subject to a restructuring plan.
 5. In the case of an undertaking that is not an SME, where, for the past two years: (a) The undertaking's book debt to equity ratio has been greater than 7.5 and (b) The undertaking's EBITDA interest coverage ratio has been below 1.0.

13 Scheme review

This procedure has been written in line with government guidance:

Department for Business, Energy and Industrial Strategy Grant Funding Schemes – Local Authority Discretionary Grants Fund – guidance for local authorities

This will be subject to review as circumstances dictate and in line with any future changes, revised guidance, or announcements by the Department for Business, Energy & Industrial Strategy.

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