**HARBOROUGH DISTRICT COUNCIL**

**POLICY: LA DISCRETIONARY GRANTS FUND**

**NOTE:**

APPLICATIONS for grants will open on the Wednesday 3rd June 2020 and will close on Wednesday 17th June 2020. No applications will be accepted after that date.

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**Background to business grants**

In response to the Coronavirus, on 11 March 2020 the Government announced 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 supported around 1,600 rate-paying businesses, charities, and other organisations in the Harborough district area from these funds. This original scheme remains open for any eligible ratepayers that have not yet claimed. The Council was not required to publish a local policy.

On 1 May 2020, the Government announced the **Local Authority Discretionary Grants Fund**, and on 13 May 2020 published guidance for local authorities. This discretionary grant fund gives Local Authorities the discretion to develop further criteria to suit local circumstances on top of the national criteria. It is this local criteria and the development of the associated grant scheme that is the subject of this local policy.

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1. **The Local Authority Discretionary Grants Fund**

On 1 May 2020, the Government announced the Local Authority Discretionary Grants Fund.


On 13 May 2020, the Government published guidance for local authorities, this was updated on the 23 May 2020. This additional fund is aimed at small businesses and charities who were not eligible for the Small Business Grant Fund or the Retail, Leisure and Hospitality Fund.


The grant fund for the district is being managed by Harborough District Council, which is responsible for delivering grants to eligible businesses and charities. The Council must follow the guidance set by the Government. The Council has authority to make these payments under Section 1 of the Localism Act 2011.
Local authorities are required to set out the scope of their discretionary grant scheme on their website, providing clear guidance on which types of business are being prioritised, as well as the rationale for the level of grant to be provided (either £25,000, £10,000 or less than £10,000, as prescribed by the Government). This policy meets this requirement.

The Government intends that this grant scheme widens access to support to businesses who 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 to support struggling businesses. Government anticipates that the first payments made under the scheme will be received by businesses by early June. Harborough District Council will make every effort to start payments as soon after the close of the application window but recognises the need to undertake a thorough assessment and appropriate due diligence before grants are paid.

Due to the very compressed timescales to meet these expectations of the Government and businesses, the Council has not been able to consult on the development of this policy. It has however taken full account of the requirements of Government (as set out in the second link above) and the issues and questions that have arisen locally and nationally through the delivery of the Small Business Grant Fund and the Retail, Leisure and Hospitality Grant Fund.

Potential applicants are asked to note that:

- The Government and the Council expects businesses to take advantage of other Government support schemes. This means that self-employed people who are eligible for support under the *Self Employment Income Support Scheme* are not eligible for a discretionary grant (see Section 4 below on the local discretion that has been applied).

- Grants under this scheme will be subject to tax in line with the applicant’s tax arrangements. For businesses, the Government advises this is only where there is an overall profit once this award is included.

- Grants awarded under this discretionary scheme will not generally affect the Council’s business ratings list or any rates charges payable by the recipient.

- Notwithstanding this, any applicant who should in fact be added to the rates list will be, which may result in a rates bill. This may also result in a grant being claimable from the Small Business Grant Fund or the Retail, Leisure and Hospitality Grant Fund, rather than this discretionary fund. Such grants are of fixed value of £10,000 or £25,000 and are likely to be higher than a discretionary grant.
2. Total funding available

The Government has set each council’s funding allocation as 5% of the expected spending on the Small Business Grant Fund and the Retail, Leisure and Hospitality Grant Fund funding envelope. Harborough District Council’s fixed ‘minimum’ allocation is £1.018m. This can be adjusted upwards if the number of businesses supported under those funds proves to be higher. It will not however be adjusted to reflect demand for the discretionary fund.

There is a clear limit to the funding available for this scheme and it require local authorities to prioritise which types of businesses will receive funding; the Council is expecting that the scheme will be over-subscribed so the level of grant may not be at the same level as that within the Small Business and the Retail, Hospitality and Leisure schemes.

The Government 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 because of their use of discretion to prioritise some business types.

3. Who will benefit from the discretionary scheme?

The Government suggests that local authorities may wish to consider collaborating as they design their discretionary schemes to ensure consistency where they are working across a functional economic area, notably here the Leicester and Leicestershire Local Enterprise Partnership (LLEP) area; and to ensure alignment and reduce duplication with any other local discretionary business grants that may have been established. The councils within the LLEP area are mindful of this suggestion, however the extent to which this can be achieved in practice will be limited by the significant time constraints and by local priorities.

An inevitable consequence of this funding allocation methodology is that the funding available for individual businesses and charities will vary from council to council. There is there is no direct correlation between the 5% funding allocation and the number of eligible businesses for the discretionary scheme in each council area.

Therefore, it is likely that similar businesses in different council areas across Leicestershire (and indeed further afield) could be subject to different prioritisation and grant amounts.

As set out by the Government, these discretionary grants are primarily and predominantly aimed at:

- Small and micro businesses, as defined in Section 33 Part 2 of the Small Business, Enterprise and Employment Act 2015 and the Companies Act 2006. ([see definitions table at the end of the section](#))
- Businesses with relatively high ongoing fixed property-related costs
- Businesses which can demonstrate that they have suffered a significant fall in income due to the COVID-19 crisis
• Businesses which occupy property, or part of a property, with a rateable value or annual rent or annual mortgage payments below £51,000.

3.1 National priorities

Harborough District Council will prioritise the following types of businesses for grants, as requested nationally by the Government:

• **Small businesses in shared offices or other flexible workspaces.** Examples could include units in industrial parks, science parks and incubators which do not have their own individual business rates assessment and rates bill.

• **Regular market traders with fixed building costs**, such as rent, who do not have their own business rates assessment. Note: Harborough District Council considers this to mean traders with fixed units (including café facilities) and traders in the Market Harborough Market and Food Hall with fixed spaces. The Council will take account of any potential grant support from councils in other areas where the trader may also operate. Note the discretionary fund does not cover any otherwise eligible traders who rent stalls by the day, who will not be supported from the discretionary fund, as there will be little or no on-going fixed property related costs.

• **Bed & Breakfasts which pay council tax** instead of business rates (rated premises being eligible under the Small Business Grant Fund and the Retail, Leisure and Hospitality Grant Fund). The Council does not wish to prioritise rooms and premises available through Airbnb and similar channels and will not make a grant to these.

• **Charity properties in receipt of charitable business rates relief** which would otherwise have been eligible for Small Business Rates Relief or Rural Rate Relief. Note, in essence this is charitable premises with a rateable value of below £15,000, which are not eligible for the Retail, Leisure and Hospitality Grant Fund.

3.2 Local additional priorities

In addition, taking into account local priorities, the Council wishes to support the following types of businesses, which have relatively high on-going fixed property costs and which can demonstrate that they have suffered a significant fall in income due to the COVID-19 crisis:
• **Seasonal tourism operatives:** Seasonal independent operators who are unable to continue to operate due to ongoing COVID19 restrictions but has invested in the 2020 Summer season, which will not be realised.

*An example would be a Tourism operator who offers an attraction that is unable to open due to being unable to safely open and comply with the Government’s social distancing to do so.*

• **Independent food and drink producers:** Independent producer whose market has ceased due to the ongoing COVID19 restrictions and is unable to find new markets for products but has invested in 2020 production, which will not be realised.

*An example would be a producer who creates a unique product for a seasonal market. The product demand has ceased due to no market demand.*

• **Independent creative industries:** Independent business whose market has ceased due to the ongoing COVID19 restrictions and is unable to find new markets for products but has invested in 2020 production, which will not be realised.

*An example would be a software company that creates software and sells licenses for point of service sales in the hospitality industry. This is the only product it sells, and the company has no other markets to sell to. This demand for the product has ceased due to no market demand.*

• **Independent agriculture industries:** Independent business whose market has ceased due to the ongoing COVID19 restrictions and is unable to find new markets for a product/s but has invested in 2020 production, which will not be realised.

*An example would be a seasonal producer raises exotic eggs sells to be raised and farmed by another producer during the summer. There is no longer a market for these eggs because of the COVID19 restrictions, meaning the seasonal producer will have no income for this financial year.*

3.3 **Predominant use**

Where applicable, to qualify for the grant the relevant property should be wholly or mainly used for the above qualifying purposes or broadly similar. This is a test of use rather than occupation. Businesses in properties which are occupied but not wholly or mainly used for the qualifying purpose will not be eligible for a grant.
Definitions – small and micro businesses

To be a **small business**, under the Companies Act 2006, a business must satisfy two or more of the following requirements in a year:

- Turnover: Not more than £10.2 million
- Balance sheet total: Not more than £5.1 million
- Number of employees: a headcount of staff of less than 50

To be a **micro business**, under the Companies Act 2006, a business must satisfy two or more of the following requirements:

- Turnover: Not more than £632,000
- Balance sheet total: Not more than £316,000
- Number of employees: a headcount of staff of not more than 10


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4. **Who CANNOT benefit from the discretionary scheme?**

This grant funding is for businesses that are **not eligible** for other support schemes.

Such grant / support schemes as prescribed by the Government include but are not limited to:

- Small Business Grant Fund
- Retail, Hospitality and Leisure Grant
  
  *Both are still open for claims to the Council from eligible ratepayers.*

- The Fisheries Response Fund
- Domestic Seafood Supply Scheme
- The Zoos Support Fund
- The Dairy Hardship Fund
  
  *The above four are administered nationally and are expected to have minimal impact in the Harborough District area.*

The Government has also prescribed that:

- As per the late guidance that was issued on the 23rd May, businesses who are eligible for the Self-Employed Income Support Scheme (SEISS) are eligible to apply for this scheme.

However, the Council will only support those self-employed businesses that meet the following criteria:

- Are excluded from the SEISS scheme (i.e. not eligible for the SEISS scheme because their new business had not started trading as at the 1st April 2019).
- Were trading for 4-continuous months up to the 31st December 2019, and
- Were still trading as at the 11th March 2020.

The reason that the Council has made this distinction between self-employed businesses is because:

- those businesses that were trading before 1st April 2019 are covered by the SEISS scheme and are therefore being financially supported; new start-ups since the 1st April 2019 are not being so supported. This will therefore seek to give all self-employed businesses some form of financial support during this period of crisis.
- due to the limitation of the funding pot that is available to help to ensure that a meaningful and helpful grant is awarded.

- Businesses that were not trading on 11 March 2020 are not eligible for this scheme.
- Companies in administration, are insolvent or where a striking-off notice has been made are not eligible for funding.
- For the avoidance of doubt, businesses who have applied for the Coronavirus Job Retention Scheme may apply for this scheme.
- The Council has provided direct financial support to many local businesses; this has included waiving of rent/property hire costs etc. If your business has received such support, the Council considers that it has already supported your business in respect of fixed property costs, and it is likely that your business will be ineligible for support via this scheme.
- The Council will not directly support professional services where their businesses have been able to continue to trade.

5. Application process and timescale

The Government recognises that local authorities will need to run some form of application process as the potential beneficiaries are highly unlikely to be known directly by the local authorities. Also, the Council must manage the process in a fair and equitable manner within the funding available.

The Council will only accept online applications, and these can be made via its website - https://www.harborough.gov.uk/xfp/form/304

Applications can be made from Wednesday 3rd June to midnight on Wednesday 17th June 2020. Potential applicants should assume that this window will not be extended, although the Council reserves the right to do so (but this is unlikely).
The Council’s website will set out the information required from applicants, which will be the minimum reasonably required to establish eligibility and enable a fair and equitable assessment of grant entitlement. Applicants will need to evidence all:

- Compliance with the scheme eligibility requirements
  The Council will undertake 3rd party checks to confirm this.

- Relatively high ongoing fixed property-related costs.
  You will be required to provide evidence of such costs i.e. proof of rent, business rates, mortgage payments etc and they must be less than £51,000.

- A significant fall in income due to the COVID-19 crisis (at least 40%).
  Relevant confirmation of income reductions i.e. bank statements for the 3 months prior to 11th March and bank statements since 11th March; accompanied by relevant analysis showing income reductions.

- Identification of the business and the person making the application
  Bank statements/Lease agreements etc showing business name and confirmation of proprietary ownership.

- Identification of self-employed businesses who started trading after the 1st April 2019, were trading for at least 4 continuous months between 1st April 2019 and 31st December 2019 and remained trading at the 11th March 2020.
  Bank statements/Lease agreements etc showing business name and confirmation of proprietary ownership.

  NB. Self-employed businesses that started trading on the 1st January 2020 onwards are not eligible for this scheme.

- Evidence that the bank account into which any grant will be paid properly relates to the business, charity, etc.
  Bank statements; including completion of a Harborough District Council new supplier form.

The Council will individually assess and validate applications as they are received and may request further information should it be required. The pre-payment checks will include confirming eligibility, including checks against Companies House etc and it is likely that the Council will use government anti-fraud websites.

Applicants would also be asked to confirm that by accepting payments they are in compliance with State Aid rules, that to the best of their knowledge they are eligible for the scheme, and acknowledge that the council reserves the right to recover any funding made in error or as the result of misleading information being submitted. The Council’s website will require applicants to confirm acceptance of various compliance statements through tick boxes.

The Council will undertake written post payment assurance around compliance, in particular State Aid as per the request set out in the guidance provided by national govt for post payment monitoring and reporting.
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. Payments will start as soon as possible after the closing date, but this will be dependent on the number of applications received. Further detail is given in section 7.

There will be no automatic right of appeal against a decision not to award a grant, or against the value of any grant. However, the Council may at its discretion reconsider any refusal or grant value if there is clear evidence that a significantly wrong decision may have been made. The only further recourse available to applicants is a judicial review, which is how the decisions of the Council under discretionary powers may be challenged.

6. How will the value of grants be calculated?

As the funding available to the Council is fixed and the demand is unknown, the value of grants cannot be determined until the application window has closed and all applications have been assessed.

The Government expects that payments of under £10,000 may be appropriate in many cases. The Council’s early view is that this is indeed appropriate and will probably be necessary to remain within the available funding. Due to this it is expected that the maximum grant amount that will be allocated through this scheme will be £10,000.

The Government states that in taking decisions on the appropriate level of grant, local authorities may want to consider:

- the level of fixed costs faced by the business in question,
- the number of employees,
- whether businesses have had to close completely and are unable to trade online, an
- the consequent scale and impact of COVID-19 losses.

The Council has considered this statement and has developed an application process and assessment criteria that takes these considerations into account.

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

Therefore, the Council will take a straightforward approach determining individual grant levels.

As a guide, the available funding of £1.018m will be reserved for each priority as follows:
• 60% (£611k) for the national priorities at section 4.1.
• 35% (£356k) for the local priorities at section 4.2.
• 5% (£51k) as a contingency should any additions to the eligible businesses become necessary, or very exceptionally any late applications be considered.

The Council reserves the right to vary these percentages in the light of the results of the application process.

Grants to each applicant will be determined as follows:

• **National priorities and the first local priority** – the available funding will generally be shared equally between those successful applicants within each of the national and local priorities.

  *The Council however reserves the right to award less to particular applicants if such an award would clearly be significantly out of keeping with the balance of costs and lost income; this is more likely if the overall fund comes under severe pressure and therefore greater focus of grant funding is required.*

• **Local priorities** – the available funding will generally be shared equally between all successful applicants.

  *The Council however reserves the right to award less to particular applicants if such an award would clearly be significantly out of keeping with the balance of costs and lost income; this is more likely if the overall fund comes under severe pressure and therefore greater focus of grant funding is required. Further, reflections will be made reflecting actual non-employment cost that continue to be paid.*

• **Contingency** – the Council will review the use of the contingency as more experience of the discretionary scheme is gained.

7. **Managing the risk of fraud and grants made in error.**

The Council and the Government will not accept deliberate manipulation and fraud. Any business or person 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 to ‘Spotlight’, a digital assurance tool. This tool will also assist the Council with pre and post payments assurance, including identification of high-risk payments. There will also be joint working across councils and government departments in preventing fraud.
8. **Policy review**

This policy has been written in line with Government guidance. It will be subject to dynamic review as circumstances dictate and in line with future clarifications and changes that may be announced by the Government. Please note that the application form and all submitted information will be subject to the statutory requirements of the Local Government Transparency Regulations and Freedom of Information legislation.

**Harborough District Council**

**June 2020**