

Local Authority Discretionary Grant Fund – Frequently Asked Questions (FAQs) for Local Authorities

Local Authority Discretionary Grant Fund Guidance



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About this document

1. The Local Authority Discretionary Grant Fund was announced on 1 May 2020. Guidance for the scheme has been published and updated on GOV.UK.
2. This document is aimed at Local Authorities to provide answers to Frequently Asked Questions regarding the criteria and management of the funding scheme.
3. For further information on business support, please see www.businesssupport.gov.uk

Eligibility

General

4. Does this scheme allow one grant per property as with the previous grant schemes?

It is a matter for Local Authorities to determine how many grants a business should receive. As businesses based in shared spaces are one of the priority groups, we would expect to see instances of more than one grant per property.

5. Can a business receive more than one grant under this scheme (i.e. if based across multiple properties)?

This is permissible under this grant, however it is up to Local Authorities to determine how to structure their own local schemes and whether to allow businesses to apply for a grant for more than one property.

6. What are the mandatory criteria for this scheme referred to in para 44 of the guidance?

The mandatory criteria are those set out in paras 29-33. That is:

- i. Businesses which have received cash grants from any central government Covid-19 related scheme are ineligible for funding from the Discretionary Grants Fund. However, businesses which have received funding via the SEISS or CJRS schemes can receive grants under the Discretionary Grants Fund.
- ii. Only businesses which were trading on 11 March 2020 are eligible for this scheme.
- iii. Companies that are in administration, are insolvent or where a striking-off notice has been made are not eligible for funding under this scheme.

7. Do all four business descriptions in para 20 of the guidance (small and micro business; relatively high ongoing fixed property-related costs; significant fall in income; rateable value, rent or mortgage payment below £51k) need to apply for a business to be eligible?

The scheme is primarily and predominantly for businesses which fit into these categories. However, it is for Local Authorities to decide what criteria makes most sense for their local area, and what the requirements will be for businesses applying for their grant schemes. All payments must be made in line with the mandatory eligibility criteria.

8. The guidance says grants are 'primarily and predominantly aimed at' small and micro businesses. Does that rule out Local Authorities giving the grant to larger businesses?

Although there is a discretion for Local Authorities to pay out to individual businesses

who do not meet the criteria, the funds are primarily and predominantly designed to support businesses meeting the criteria at para 20. Local Authorities must decide what is right to support their local economies.

9. Is there scope to provide grants to businesses without premises costs?

There is discretion for Local Authorities to pay out to businesses who do not meet the criteria the funds are primarily and predominantly designed to support and Local Authorities must decide what is right to support their local economies. However, as this funding is primarily aimed at businesses with high ongoing fixed property-related costs we expect the majority of grants to go to businesses with premises costs.

10. If a business pays business rates and meets all of the eligibility criteria (e.g. a business in their own office space) can they still receive discretionary grant?

As long as it is not eligible for any other HMG grant funding, a business can be considered for a discretionary grant.

11. If a newer businesses was fitting out a property prior to 11 March but never got round to opening/trading would it be eligible for this fund?

The mandatory criteria requires that a business was trading as of 11 March. Grant payments can only be paid to firms that meet the mandatory requirements.

12. How is a 'significant fall in income due to the COVID-19 crisis' and 'high ongoing fixed property-related costs' (para 20) defined?

These grants are primarily aimed at those types of businesses set out in para 20, however we have not given a definition of high fixed property costs or significant fall in income. This provides Local Authorities with the flexibility to design their local fund to respond to their local situation.

13. What are evidence requirements for 'significant fall in income'? Can this be via disclaimer? Are Local Authorities expected to assess profit and loss accounts alongside bank statements?

We would expect this to be backed up with at minimum a statement from the business, which could be evidenced by supporting financial documents.

14. Can mooring or marina fees be counted as a 'fixed property cost' for businesses that involve boat tours, floating restaurants etc?

Yes. This could count as a fixed property cost.

15. Is there still an absolute rateable value limit of £51,000 for businesses receiving this fund?

This fund is primarily and predominantly directed to small and micro businesses. However, Local Authorities have discretion to determine who else is eligible to receive funding through their schemes.

16. Should Local Authorities target Hospitality and Leisure businesses rated above £51,000 as they will remain closed longest?

It is for Local Authorities to determine which sectors they wish to prioritise and how best to support their local economies.

Small Business

17. Are the two business types defined to support verification of eligibility or because there is an expectation they will receive different levels of grant?

Legal definitions of small and microbusinesses have been included as useful information for Local Authorities. It is up to Local Authorities to decide how they structure their schemes.

18. In the definition of small and micro businesses in paras 21-22, what does 'Balance sheet total' refer to? Is this a figure based on Assets, Liabilities or Equity?

'Balance sheet total' is defined in the Finance Act 2016 as the aggregate of the amounts shown as assets in a company's balance sheet at the end of the financial year.

Other schemes

19. How can Local Authorities verify whether businesses are eligible for other schemes not managed by Local Authorities?

Local Authorities will be able to check their own records on the Small Business Grant Fund and Retail, Hospitality & Leisure Fund. For other grant funding schemes we anticipate businesses using a self-declaration process. Where checks discover that payments have been made in error or have been claimed as a result of fraud there will need to be recovery action.

20. Are applicants that are eligible for the Self-Employment Income Support Scheme also eligible for the Local Authority Discretionary Grant Fund?

Businesses who are eligible for or in receipt of the Self-Employment Income Support Scheme (SEISS) are eligible to apply for this scheme as well. See latest version of guidance, published 22 May.

21. Why has the eligibility criteria about the Self-Employment Income Support Scheme changed?

Following feedback from our stakeholders, we have changed the eligibility criteria to allow those eligible for the Self-Employment Income Support Scheme to apply for discretionary grants. New guidance clarifying this was issued on 22 May 2020.

22. Are businesses that have accessed loan or deferral schemes (e.g. Deferral of VAT, the Coronavirus Business Interruption Loan Scheme) eligible for grants under this scheme?

Yes – it is only where businesses have received grant funding from Government that they are ineligible for support under this scheme. Paragraphs 29-33 of the guidance cover eligibility for the scheme.

23. Businesses who have applied to the Coronavirus Job Retention Scheme are eligible for grants. Does this also apply to businesses that have claimed Statutory Sick Pay for staff sick with coronavirus?

Yes, claiming Statutory Sick Pay for staff would not make a company ineligible for a grant under the discretionary scheme.

24. Exemptions in paragraph 29 of the guidance refers both to eligibility for other schemes and businesses who have received cash grants, which is it?

Any business that is eligible for an HMG Covid-19 grant funding scheme is not eligible for the Local Authority Discretionary Grants Fund.

25. Can a business that pays business rates but is not covered by the previous scheme due to the nature of their business be covered by this scheme?

Yes. Businesses that were not in the scope of the Small Business Grants Fund or Retail, Hospitality and Leisure Grants Fund can receive grants through this scheme as long as they meet the mandatory criteria laid out in the guidance. It is for Local Authorities to choose the businesses they wish to support through this scheme.

26. Where an owner has two limited businesses and one has a rate liability and has had a grant but the other has no liability can a discretionary grant be considered?

There is no reason that the second business cannot be considered. It is up to the Local Authority to decide how they award their grants against their local priorities.

Discretion

27. Where can Local Authorities use discretion to deviate from the guidance?

Local Authorities are being given discretion to structure and target these grants as they deem appropriate for their local business base. However, there are a small number of mandatory criteria that must apply to all businesses receiving a grant. These are laid out in paras 29-33 in the guidance.

They include the stipulation that businesses that are eligible for cash grants from any central government COVID-19 related scheme are ineligible for funding from the Discretionary Grants Fund. This is not an element that Local Authorities have discretion over. However, the SEISS has been removed from the list in the latest version of the guidance, published 22 May.

28. Do Local Authorities have to include all four of the priority groups (Shared spaces, market traders, bed & breakfasts and charities) or can they pick which to prioritise these or other businesses? The funding provided may not cover these groups and other businesses in need in the area.

This fund is designed to primarily and predominantly support small and micro businesses, while allowing Local Authorities to exercise their local knowledge and discretion on what particular needs exist within their area. The above list, presented in para 24 of the guidance, provides some priority groups that were not eligible for the Small Business Grants Fund or Retail, Hospitality and Leisure Fund and which Government is asking Local Authorities to prioritise for this scheme.

However Local Authorities have discretion to decide which types of business are most relevant to their local economy and there will be no penalty for Local Authorities based on this prioritisation. Local Authorities are required to publish their criteria on their websites.

Striking-off notices

29. Para 33 excludes those with striking-off notice. Why has this exclusion been included in this fund and not previous grant schemes?

This grant has been created to provide support to active businesses. Businesses that were in liquidation or were dissolved as of the 11 March will not be eligible. Businesses that were in administration as of 11 March or those that fall into administration or are dissolved after 11 March and before their grant is paid will also not be eligible.

A business that has applied to be removed from Companies House should not get grant funding. This is an extension of the principle about businesses in administration – where the business is no longer operating, they should not get funding.

30. A striking-off notice may be in place due to a delay in relation to filing a confirmation statement or accounts. Is the intention that this would make a business ineligible?

Yes – where a striking off notice has been made, a business is not eligible for a discretionary grant.

Market traders

31. What is a 'regular' market trader, as mentioned in para 24 of the guidance?

Government is not setting any strict definition of a 'regular' market trader. However in most cases we expect 'regular' traders to be those which, before Covid-19 restrictions, traded most days of the week. Traders that only traded in occasional markets (e.g. once a month) would not be considered 'regular'. However, each Local Authority should set their own criteria, and Government is not mandating a particular definition.

32. Can market traders that operate in more than one Local Authority apply to grants from both?

It is up to Local Authorities to assess what is reasonable in the circumstances depending on the business's fixed costs. The guidance does not exclude a business receiving grants from more than one local authority.

33. Does the Government consider annual pitch fees and storage costs to be 'fixed property costs' for market traders?

Yes, pitch fees and storage costs would count as fixed property costs.

34. What will be done if the Local Authority where the trader is resident decides not to pay grants to regular market traders?

It is up to Local Authorities to decide how to structure and prioritise their grant funding. There will be no penalty for Local Authorities based on this prioritisation. They must publish details of how their scheme will work.

35. Market traders may have storage premises covered by Small Business Rates Relief. Is the intention that we exclude them from the Discretionary Grant Fund despite the pitch costs not being covered?

Businesses which have received funding from other grant schemes are not eligible for funding under the discretionary grant scheme.

Shared Space

36. Is a business in a shared workspace expected to know or be able to prove the rateable value (below £51k) of the total premises within which they work?

It is for Local Authorities to determine if an applicant meets the criteria of a local discretionary scheme. Where a rateable value is not available, the guidance suggests considering annual rent or annual mortgage costs as a proxy.

37. Businesses in shared offices may have shared directors, i.e. two companies trading from same premises. Would there be an intention to restrict grants in these cases?

Both businesses can be assessed. The different costs incurred by the companies would have to be identifiable (i.e. the property/utility costs paid by each business for the space).

38. How should councils assess what portion of a larger shared space a business occupies, as this will have to be done without reference to the VOA?

It is for Local Authorities to determine if an applicant meets the criteria of a local discretionary scheme. Where a rateable value is not available, the guidance suggests considering annual rent or annual mortgage costs as a proxy.

39. Do shared spaces include other premises such as antiques centres where individual traders rent a space/stand from the landlord or forecourts in retail space?

It is for Local Authorities to determine if an applicant meets the criteria of a local discretionary scheme. These businesses would be in scope for the overall Local Authority Discretionary Fund as long as they meet the mandatory criteria. The definition of 'regular market trader' in these FAQs may also be a relevant consideration for local authorities in these circumstances.

40. If a premises is shared and the landlord paying business rates has received funding but another business in the space has no business rates account, can Local Authorities now fund this other business?

Yes. One of the key aims of this funding is to provide grants to businesses who have been unable to access previous grant support due to their premises being in shared space.

B&Bs

41. The guidance mentioned B&Bs that pay council tax. What does Government class as a B&B? Does renting a room on Airbnb count?

It is up to Local Authorities to set their own criteria for their local schemes and what they would class as a B&B. To be registered for council tax, B&Bs must have fewer than six bed spaces. We would expect properties to be wholly or mainly used as guest or boarding premises. Examples of relevant proof that Local Authorities may wish to consider for B&Bs include:

- Planning permission for change of use;
- A fire certificate obtained when setting up the B&B to get business insurance policy and public liability cover;
- A "hotel and mobile units television licence", which covers up to 15 televisions and can be purchased online from TV Licensing;
- A music licence from PPL PRS Ltd, if they have a TV in public areas, such as a bar or breakfast room, which has the sound turned on;
- A personal and premise alcohol licence, if serving alcohol;
- Registered with local Environmental Health Officer when setting up the B&B to the property assessed.

42. Can Local Authorities include self-catering properties (within strict criteria for occupancy) in their funds?

Yes – it is up to Local Authorities to determine what kind of businesses they wish to support through this scheme.

43. As well as including B&Bs who pay council tax, is there an expectation this is extended to care homes also paying council tax?

Care homes that pay council tax are not in the list of property types that Government has asked Local Authorities to prioritise. However, if Local Authorities wish to make grant payments to businesses in that position, then they are free to consider doing so.

Other businesses

44. Will parish councils be eligible for this fund?

It is not expected that Parish and town councils would be eligible to receive a grant. Where town and parish councils have set up organisations, including trusts, that meet the grant criteria, they may be eligible and parish and town councils should liaise with their relevant local authorities to determine whether this is the case.

45. Many suppliers to the retail, hospitality and leisure sectors who have lost demand missed out on the previous grants. Can they be included here?

It is up to Local Authorities to determine what kind of businesses they wish to support through this scheme.

46. Businesses based in a residential dwelling may take fixed property costs to include their house mortgages etc. Could support be given to these businesses?

It is up to Local Authorities to determine what kind of businesses they wish to support through this scheme. Tax and insurance details should identify the separate costs of a home-based business. Local Authorities should take steps to understand the specific costs of the business.

Local Authority allocations

47. How many Local Authorities are expected to benefit from the additional £617m allocation announced by the Government?

Each of the 314 billing authorities currently involved in the delivery of the Small Business Grants Fund and Retail, Hospitality & Leisure Fund will receive a fixed minimum allocation for the Local Authority Discretionary Grant Fund as a 5% uplift of the value of its in scope hereditaments as identified at 3 May 2020. Individual letters were issued to all 314 Local Authorities on 20 May 2020 with a detailed explanation of their allocation.

48. Where Local Authorities have more than 5% estimated unused monies from the initial allocation can this be used to support more businesses or is it capped at 5%?

Local Authorities with a projected underspend of more than 5% cannot allocate funding from their initial allocation to the Discretionary Fund above their 5% threshold. However, Local Authorities could – if they chose to do so – top up the Discretionary Fund using their own wider, non-ringfenced, budgets.

49. Can you clarify how the 5% allocation may be adjusted upwards based on grants awarded?

Local Authorities that manage to achieve a higher number of grants paid through the

Small Business Grants Fund and Retail, Hospitality & Leisure Grants Fund after their 3 May estimate will have their 5% allocation adjusted upwards.

50. If a Local Authority has issued cheques for the other two funds and not all of those have been cashed, what does this mean for the allocation? Will the Local Authority be asked to carry on at risk?

The individual allocations for the discretionary scheme were based on the number of hereditaments that each local authority estimated to be in scope of the first two grant schemes not grants paid.

Grant amounts

51. Why are Local Authorities not able to pay grants of between £10k and £25k?

The scheme has been designed to reflect the previous two schemes in grant size, however to provide more flexibility to Local Authorities to design their own local schemes they can award grants of under £10k and we anticipate that many payments made under this scheme will be for sums less than £10k.

52. Is there any guidance or expectation on £25k/£10k/£<10k allocations?

No – it is for Local Authorities to determine the level of payments they make, in line with the criteria for their local discretionary scheme.

53. Is there still an expectation that £25k grants are for businesses in the Retail, Hospitality and Leisure sectors?

No – it is for Local Authorities to determine the level of payments they make, in line with the criteria for their local discretionary scheme.

54. Will Local Authorities be penalised if they use a flat-rate scheme at a level of £10k?

No – it is for Local Authorities to determine the level of payments they make, in line with the criteria for their local discretionary scheme which they must publish

Delivery

55. Will giving each Local Authority discretion to design their schemes mean businesses that may get a grant in one place wouldn't get it in another? Is this fair?

This funding is aimed at small and micro businesses impacted by Covid-19 that were not eligible for previous grant funding support. Government has established a small number of mandatory national criteria for eligibility but we recognise that economic need will vary across the country. Therefore we want Local Authorities to exercise their local knowledge and discretion to determine which cases to support within those mandatory criteria.

We encourage Local Authorities to consider collaborating within their functional economic area (e.g. a Mayoral Combined Authority or Local Enterprise Partnership area) to ensure consistency and alignment with neighbouring authorities.

56. Does Government anticipate that decisions taken on awards under the Discretionary Fund would be taken by officers under delegated powers, or by councillors?

Section 1 of the Localism Act 2011 provides Local Authorities with the powers to make

these payments. It is up to Local Authorities to determine how local decision-making on grants should operate in their area.

57. What timeframes are expected for this new grant process?

This grant scheme has been designed to widen access to support for businesses that are struggling to cope with impacts from Covid-19 and are unable to access other grant funding. Local Authorities should therefore aim to make payments as quickly as possible. Due to the need to establish local schemes, we anticipate that the first payments made to businesses under the scheme will take place in early June.

58. How should Local Authorities prioritise grants awards where applications are oversubscribed?

We recognise that economic need will vary across the country and want Local Authorities to exercise their local knowledge and use discretion to determine which types of business are most relevant to their local economy. There will be no penalty for Local Authorities based on this prioritisation.

59. Could a Local Authority provide its funding in rounds, rather than on a first-come, first-served basis? This could provide a better chance to compare applications, assess need and allocate more fairly.

It is up to individual Local Authorities how they structure their local grant schemes. We know that some are planning to conduct their funding schemes in rounds.

60. Could a Local Authority set an application cut-off and pay an initial grant (e.g. £5k) and then top up those grants if sufficient funding remains?

It is up to individual Local Authorities how they structure their local grant schemes. Topping up of grants can be part of a local scheme.

61. What dispute mechanism will be in place for this grant scheme?

It is for Local Authorities to apply the guidance and manage the scheme through their usual processes.

62. Is Government expecting Local Authorities to coordinate across LEP areas or can they keep discussion mainly within their county?

Local Authorities may wish to consider collaborating as they design their discretionary schemes to ensure there is consistency where they are working across a functional economic area (e.g. a Mayoral Combined Authority or Local Enterprise Partnership area) and may want to engage with MCAs and LEPs to ensure alignment and reduce duplication with other local discretionary business grants that may have been established.

Counter Fraud

63. What level of validation does Government expect Local Authorities to provide as evidence? Will an application/declaration and a Spotlight check be sufficient?

The level of validation is down to Local Authorities to determine.

The Government Grants Management Function and Counter Fraud Function have made their digital assurance tool, Spotlight, available to Local Authorities, and will offer support in using the tool and interpreting results. Spotlight, or other digital due diligence tools, can be used as part of any checks and due diligence but it should not be relied upon as the sole method of checking.

64. Do Local Authorities have the same assurances as with the other two grant schemes regarding clawback by BEIS for fraud or error overpayments that reasonable efforts to recover won't leave the Local Authority liable?

We are reviewing the funding accountability letter issued for the Small Business Grants Fund and Retail, Hospitality & Leisure Fund and will confirm the position regarding the Local Authority Discretionary Grants Fund soon.

Local Authority publication of grant criteria

65. Local Authorities don't have definitive numbers to budget. How can they publish details on the amounts available without knowing the number of eligible businesses?

Local Authorities will need to publish the details of their scheme on their website, including the criteria they are using to prioritise the types of businesses which will receive grants, and how they are assessing the level of grants that companies will receive. The published details do not have to include a breakdown of the specific number and size of grants to be paid.

66. What is the deadline for Local Authorities 'setting out the scope of their discretionary grant scheme on their website', as per para 27?

Local Authorities should set out the scope of their schemes as soon as possible. It should be published before or in parallel with the launch of the application process.

Monitoring

67. How soon will the weekly monitoring begin? Will the Government be looking to publish these results publicly?

Monitoring will begin at some point in June. We are expecting to publish the results of this monitoring.

State aid

68. The guidance (para 37) says the Local Authority must 'call or write to the business' stating that by accepting the grant payment, the business confirms that they are eligible for the grant scheme, including that any payments accepted will be in compliance with State aid requirements. As businesses will have to fill out an application form, can Local Authorities include a State aid disclaimer confirming that they are eligible in their view and accept State aid responsibilities?

Yes – it is the responsibility of Local Authorities to confirm before payment that any grants are paid in compliance with State aid requirements. This could be done as part of the application process.

69. What is the position regarding franchises in the Discretionary scheme? For example, some breweries are turning down grants due to State aid limits, but some of their pubs and properties are franchises. Could the Discretionary Fund support franchises in these kinds of cases?

All schemes and payments must be compliant with State aid law. It is the responsibility of businesses to understand their position in relation in relation to State aid.