

## **Dacorum Borough Council Local Authority Discretionary Grant Funding Policy**

### **Background**

1. In May 2020, Government announced a national fund of £617m to provide financial support for small and micro businesses affected by the coronavirus, which were not eligible for the Small Business Grant Fund or the Retail, Leisure and Hospitality Grant Fund. This is known as *the Local Authority Discretionary Grant Fund* (LADGF).
2. Local authorities are responsible for delivering grants to eligible businesses, and each council has been allocated funds equal to 5% of the grants issued to local businesses under the Government schemes mentioned in the previous paragraph. The DBC allocation is £1.45m.
3. Although local authorities have discretion over the design and implementation of their local scheme, Government has asked for the following business types to be prioritised:
  - a. Small businesses that do not have their own business rates assessment because they operate from shared or serviced spaces;
  - b. Regular market traders with fixed building costs, who do not have their own business rates assessment;
  - c. Bed & Breakfasts which pay Council Tax instead of business rates; and,
  - d. Charity properties in receipt of charitable business rates relief which would otherwise have been eligible for Small Business Rates Relief or Rural Rate Relief.
4. Within its *Guidance for Local Authorities*, BEIS has provided more detail on criteria that local authorities may use to target small and micro businesses when designing their scheme. Subsequent sections in the policy will demonstrate how these criteria have been adopted within the DBC scheme. The BEIS guidance can be found on this link:  
  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/887310/local-authority-discretionary-fund-la-guidance-v2.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/887310/local-authority-discretionary-fund-la-guidance-v2.pdf)
5. In addition to the elements of the scheme which are at local authorities' discretion, Government has set some national eligibility criteria. More detail can be found in the above Guidance, but key points include:
  - a. Businesses which are eligible for cash grants from any central government COVID-related scheme (apart from SEISS) are ineligible for LADGF funding;
  - b. Businesses which have applied for the Coronavirus Job Retention Scheme (furlough), are eligible to apply for this scheme;
  - c. Businesses which are eligible for Self Employed Income Support Scheme (SEISS) are eligible to apply for this scheme as well;

- d. Only businesses that were trading on 11 March 2020 are eligible for this scheme; and,
- e. Companies that are in administration, are insolvent or where a striking-off notice has been made are not eligible for funding under this scheme.

### **Dacorum Borough Council LADGF Scheme – Principles**

- 6. The DBC scheme aims to assist as many small and micro businesses as possible, as quickly as possible, and through a scheme that is designed to be as transparent as possible.
- 7. Alongside the Government stipulations, the DBC scheme is based on three discretionary principles which will determine the eligibility of businesses, the amount of payments, and the timing of payments. More detailed explanations are provided in subsequent paragraphs, but in summary:
  - a. Funding is capped at the £1.45m of funding received from Government – lack of data around numbers of eligible businesses could otherwise result in an unknown liability for the Council;
  - b. A fixed payment level of £5,000 per business – this reduces the delays associated with means testing and ensures a meaningful and transparent amount is paid to each successful applicant; and,
  - c. A first come first served model – the alternative of considering all applications made within a set timeframe would not enable the Council to set a guaranteed minimum payment and would delay any payments made.
- 8. **Capping the funding available** to support the DBC LADGF policy is necessary for the following reasons:
  - a. The Economic Development Team estimates that the number of businesses in Dacorum is over 7,500. If the Council does not cap the amount of funding available, it could face an unknown liability as it tries to honour all eligible applications; and,
  - b. The Council is facing its own significant and as yet unquantifiable financial pressures as a result of Covid-19, and will continue to do so for the foreseeable future. Any additional funds it diverted to supplement this fund would be at the direct expense of planned future expenditure, reducing the amount available for investment in the community or to continue providing frontline services.
- 9. **A fixed payment of £5,000 per business** provides certainty to eligible businesses over the amount of the award, and enables the Council to make payments as quickly as possible. This combination of certainty and speed mirrors the principles underpinning Government's Covid-related funding schemes.
- 10. Government guidance refers to a maximum permissible grant of £25,000, but makes clear that *'The value of the payment to be made to a business is at the discretion of the local authority.'* The Council's scheme is consistent with Government's expectation that *'payments of under £10k may be appropriate in many cases'*. A flat-rate award of £5,000 strikes a balance between

keeping the scheme simple, and providing a meaningful level of support to as many businesses as possible.

11. Further detail on the rationale behind fixed £5,000 payments is below:
  - a. Means-testing would increase the time taken to assess claims, and would prevent the Council from making payments to businesses in need as quickly as possible;
  - b. Fixing the amount of the award enables the Council to provide transparency and certainty to businesses. If the amount of the award was not fixed, there would need to be a mechanism to share the funding pot between all eligible applicants. Such a mechanism would inevitably result in a more opaque scheme, and could result in so many applications that many businesses would receive an award too small to be useful.
  - c. The Council has sought to optimise the balance between providing a meaningful level of support and assisting as many businesses as possible. The £1.4m fund could support 290 businesses at £5,000 each, 140 businesses at £10,000 each, or 56 businesses at £25,000 each. With over 7,500 businesses in Dacorum, demand for this fund is anticipated to be high; and,
  - d. The minimum eligibility criterion of £7,500 fixed premises overhead is based on a rough average cost of a 3-person shared office space in Hemel Hempstead. Within this context, a £5,000 grant is a meaningful contribution to annual premises costs.
12. **A First Come First Served model (FCFS)** will enable the Council to make payments to eligible businesses as quickly as possible, within the constraints of the £1.4m fund. When the fund is exhausted, the scheme will close.
13. The rationale behind a FCFS scheme overlaps with the two previous principles, and is as follows:
  - a. The alternative model of inviting applications within a set window of time is not consistent with the capped fund and fixed award approach adopted by DBC. The 'window' approach adopted by some councils only allows for the amount of the award to be set when the window is closed; either divided equally or pro-rated against premises costs. As previously referenced, within Dacorum the estimated number of businesses means that this approach would be likely to result in very low awards for all applicants.
  - b. The FCFS model allows payments to start being made to businesses as soon as applications are verified. The 'window' approach inevitably delays payments – nothing can be paid out until the window has closed and the calculation of amounts undertaken. The more complex the allocation model (e.g. pro-rated) the longer this process would take. This is not consistent with previous Government emphasis on speed of payment to businesses.

### **Dacorum Borough Council LADGF Scheme – Eligibility Criteria**

14. The following eligibility criteria have been established to target funding at small and micro businesses within Dacorum, and will be assessed through the application process:

- a. The business must not be a business ratepayer, unless the ratepayer is a charity in receipt of Charitable Business Rates Relief which would otherwise have been in receipt of Small Business Rate Relief or Rural Rate Relief.
- b. Applicants must provide contractual evidence of fixed property related costs within Dacorum of between £7,500 and £51,000 per annum. Qualifying evidence of property related costs are contracts relating to rent or lease agreements. Costs relating to a property which is also occupied as a home do not count, unless the business is a Bed & Breakfast.
- c. Bed & Breakfast applicants must have been registered with Dacorum Borough Council's Environmental Health Team prior to 11 March 2020, and must submit evidence of annual mortgage payments between £7,500 and £51,000.
- d. Applicants must have fewer than 50 employees, an annual turnover of less than £10.2 million, and a balance sheet total of less than £5.1 million. (These qualifying criteria ensure that successful applicants meet the definition of a small business under the Companies Act 2006.)
- e. Applicants must apply using the e-form which will be made available on the Dacorum Borough Council website.
- f. Financial Services businesses are exempt.
- g. All applicants will be required to certify that all evidence provided and statements made within the application are true and accurate. There will be a series of further certifications required on the e-form, including that the business has experienced a reduction in income due to Covid-19; that State Aid limits would not be breached through their receipt of a grant; and, that claiming under false pretences could lead to prosecution for fraud.

### **Assessment and Payment of Grants**

15. Applications will be assessed in order of submission, and businesses will be notified of the success of their application by email with successful applicants being paid by bank transfer into the account they have provided.
16. The scheme will close at the point the fund is fully utilised. In the event that the fund is not fully utilised within two weeks, the scheme will be closed to applicants and the Council will review options for disbursement of the remaining funds.