

East Riding of Yorkshire Council – Discretionary Grant Scheme

Phase One

Introduction

This document sets out phase one of the East Riding of Yorkshire Council’s qualifying criteria for the Local Discretionary Grant Scheme, announced by Government on 1 May 2020. The scheme is aimed at small and micro businesses and charities who were not eligible for the Small Business Grant Fund or the Retail, Leisure and Hospitality Grant Fund. The Discretionary Grant Scheme is funded by Government and the total amount available for each local authority to spend is capped at pre-set levels.

The Council recognises that the sustainability of small and micro businesses is crucial for the recovery to a vibrant economy within the East Riding of Yorkshire. In turn, a vibrant local economy supports the health and wellbeing of residents. The charitable sector also plays a key role in health and wellbeing, as well as supporting our vulnerable residents. This scheme therefore reflects three of the Council’s key priorities: Growing The Economy, Promoting Healthy Lifestyles, and Protecting The Vulnerable.

The Council will implement the Grant Scheme in two phases. Phase one will deliver grants to businesses identified as priorities in the Government’s guidance. Phase two will target those businesses who did not qualify in phase one and who the Council has identified as a local priority, should (and only if) sufficient funds remain after phase one has been completed.

Section A: Qualifying Criteria

All applicants will need to meet the following criteria specified below in this section:

1. Business size

- 1.1 Applicants for Phase One of the Local Authority Discretionary Grant Scheme (the grant scheme) must be either a small or micro business, as defined in Section 33 Part 2 of the Small Business, Enterprise and Employment Act 2015 and the Companies Act 2006. If an applicant is not classified as a small or micro business under this definition, they will not be eligible.
- 1.2 All applicants for the grant scheme will be assessed based on which businesses category, small or micro, they fall under.
- 1.3 A small business is defined in the Companies Act 2006 and must satisfy at least two of the following three requirements:
 - A turnover of not more than £10.2 million
 - A balance sheet total of not more than £5.1 million
 - A headcount of staff of less than 50
- 1.4 A micro business is defined in the Companies Act 2006 and must satisfy at least two of the following three requirements:
 - A turnover of not more than £632,000
 - A balance sheet total of not more than £316,000
 - A headcount of staff of not more than 10

1.5 Applicants can be Sole Traders, Private Limited Companies (LTDs), Publicly Limited Companies (PLCs) and Partnerships, including Limited Liability Partnerships (LLPs).

2. Trading requirements and eligibility

2.1 All applicants must have been actively trading on 11 March 2020.

2.2 Applications from insolvent companies, companies in liquidation or companies in administration, will not be accepted.

2.3 Applications from Partnerships which are being dissolved, or have been dissolved, will not be accepted.

2.4 Applications from bankrupt sole traders will not be accepted.

2.5 Applications from a business which is the subject of a striking-off notice will not be accepted.

2.6 The Discretionary Grant Fund is for those businesses that are not eligible for other support schemes for businesses. Businesses which have received cash grants from any other central government COVID-related scheme are ineligible for funding from the grant scheme. Such schemes include but are not limited to:

- Small Business Grant Fund (provided to businesses in receipt of Small Business Rates Relief or Rural Rates Relief)
- Retail, Hospitality and Leisure Grant
- The Fisheries Response Fund
- Domestic Seafood Supply Scheme (DSSS).
- The Zoos Support Fund
- The Dairy Hardship Fund

3. Property costs

3.1 All applicants will need to demonstrate that they have high and on-going fixed property costs.

3.2 The types of costs that are considered to be on-going fixed property costs are:

- Mortgage payments owed to a financial institution regulated by the Financial Conduct Authority
- Rent payments owed as a result of a contractual obligation through a tenancy agreement or licence to occupy
- Rent payments owed as a result of non-contractual obligations but where it can be demonstrated that there is an agreement to pay in place and that agreement was operational on 11 March 2020, was legitimate, valid and continues to be so.
- A business rates liability, but only where that business rates liability is calculated using a rateable value that is less than £51,000

3.3 Business whose property costs, as defined in section 3.2, are greater or equal to £51,000 per annum are ineligible for phase one of the grant scheme.

4. Types of businesses that can apply

4.1 The Government has identified that the following types of businesses should be prioritised for distribution of the discretionary grant fund and these correspond with small and micro businesses in the East Riding that have been unable to access other forms of support:

- Businesses in shared or flexible workspaces that do not have their own business rates assessment
- Regular market traders with fixed on-going building costs and who do not have their own business rates assessment at the market(s) they trade from
- Bed & Breakfasts which are liable for council tax instead of business rates

4.2 Furthermore, the Council recognises the significant contribution of charitable organisations in supporting the health and well-being of residents and therefore wishes to support the sustainability of the sector. The Government has identified that the following types of properties should also be prioritised for distribution of the discretionary grant fund where they have been ineligible for support under the schemes described in 2.6, and this corresponds with the Council's health and well-being priorities:

- Charity properties in receipt of charitable business rates relief

4.3 Only the types of businesses described in 4.1 and 4.2 will be eligible for phase 1 of the Council's discretionary grant scheme.

5. Income Losses

5.1 All applicants must be able to demonstrate that they have suffered a fall of 30% or more in their normal expected levels of income during the period 24 March 2020 to 31 May 2020 inclusive and that this is due to the COVID-19 crisis. Evidence must include the most recent set of business accounts, tax returns or bank statements.

Section B: Scheme Operation

The Scheme will operate in the following manner:

6. Grant award

6.1 The amount of grant awarded to eligible applicants will depend on the category of business and the annual fixed on-going property costs associated with the business. Eligible costs are limited to rent, mortgage payments and business rates.

Micro businesses

- Grant will be awarded on a sliding scale related to the annual fixed on-going property costs of the business, up to a maximum of £10,000

| Annual fixed on-going property cost | Maximum grant awarded |
|-------------------------------------|-----------------------|
| Up to £1,000 | £1,000 |
| £1,001-£2,500 | £2,500 |
| £2,501-£5,000 | £5,000 |
| £5,001-£7,500 | £7,500 |
| Over £7,500 | £10,000 |

Small businesses

- Fixed on-going property costs of £15,000 or less per annum, the grant will be £10,000
- Fixed on-going property costs of £15,001 or more up to a maximum of £50,099 per annum, the grant will be £25,000

7. Applications

- 7.1 All applications must be submitted online through the specified application process hosted on the Council's website by Sunday 14 June 2020.
- 7.2 Only one application per business or per sole trader will be accepted. Multiple applications from the same business, charity or sole trader will not be allowed.
- 7.3 All applications must contain the applicants Her Majesty's Revenue and Customs (HMRC) self-assessment number for sole traders or their relevant business HMRC registration number or charity number for charitable organisations.
- 7.4 All applicants, if companies, must provide their Company Registration number.
- 7.5 All applicants, if VAT registered, must supply their VAT registration number.

8. Evidence and Proofs

- 8.1 All grant applications will need to be supported by appropriate evidence. The Council reserves the right to ask for any evidence and proof it deems necessary and refusal to cooperate and provide evidence and proofs reasonably requested, will result in a rejection of the application.

9. Payments and Fraud prevention

- 9.1 The Council reserves the right to undertake any checks it considers necessary to prevent fraudulent payments of grants.
- 9.2 Payments of the grant will be a one-off lump sum and will only be made direct into a UK bank. Any bank details supplied will be subject to anti-fraud measures.
- 9.3 The Council will not accept any deliberate manipulation, misrepresentation or fraud. Any business caught falsifying their records to gain grant monies will face prosecution and any grant funding issued will be clawed back. Grants paid in error will also be subject to claw back.

10. Exclusions

- 10.1 The following circumstances will render applicants ineligible for the scheme:
- Any applicant which is eligible for other Covid-19 support schemes and grants, whether they have claimed them or not (this does not include payments made under the Coronavirus Job Retention Scheme).
 - Applicants that were not trading on 11 March 2020.
 - Applicants not legitimately trading in accordance with all applicable laws, regulations, local bye-laws and planning consent rules.
 - Applicants not registered with HMRC or the Charity Commission.

- Applicants operating from home, other than bed & breakfast premises.
- Applicants that do not have ongoing, fixed annual rent, business rates or mortgage payments.
- Where the property costs relate to domestic mortgage payments, other than those for bed & breakfast premises.
- Applicants which occupy property, or part of a property, with a rateable value, annual rent or annual mortgage payments above £51,000.
- Applicants that have not demonstrably suffered a fall of 30% or more in their normal expected levels of income due to the Covid-19 crisis.
- Applicants, in particular market traders, who trade across county boundaries and who have received a payment from another local authority under their respective grant schemes.
- If an applicant has more than 49 employees, the grant will not be paid.
- Applicants that are in administration, insolvent, dormant or where a striking-off notice has been made.
- If an applicant falls within the UK state aid rules concerning 'Undertakings in Difficulties' on 31 December 2019, the grant will not be paid.
- Where payment of the grant will breach state aid rules.

11. State Aid

- 11.1 The United Kingdom left the European Union (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 local authority must 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.
- 11.2 Local authorities have a 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).
- 11.3 Payments of up to and including £10,000 will be provided under the De Minimis rules. Applicants can receive up to £200,000 of state aid within a three year period.
- 11.4 Payments of up to and including £25,000 (or where the De Minimis threshold has been reached) will be paid under the COVID-19 Temporary Framework for UK Authorities. Recipients should 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 the 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:

- a) 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.
 - b) 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.
 - c) 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.
 - d) 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.
 - e) In the case of an undertaking that is not an SME, where, for the past two years:
 - i) The undertaking's book debt to equity ratio has been greater than 7.5 and
 - ii) The undertaking's EBITDA interest coverage ratio has been below 1.0.
- 11.5 Prepayment checks must include confirmation that, by accepting payments, recipients are in compliance with state aid rules. The application process will require applicants to state that, by accepting the grant payment, the business confirms that it is eligible for the grant scheme, including that any payments accepted will be in compliance with state aid requirements.

12. Appeals

- 12.1 There is no formal right of appeal if a grant application is not successful, however, the applicant may ask for their case to be reviewed.
- 12.2 All reviews will be undertaken by independent senior officers of the council who have not been involved in assessing the original application. The outcome of each review will be authorised by a Director of the Council.
- 12.3 All applicants who have requested a reconsideration will be formally notified of the outcome.

Section C: Data Protection and Anti-fraud measures

- 13.1 We will use your information to assess your application for a grant. We will confirm information about you and your account with both the Government and credit referencing agencies. We will do this to ensure that the details you give are correct and that your identity is valid.
- 13.2 If you provide false or inaccurate information, we will record this. We and other fraud prevention agencies may use and search these records to prevent fraud and money laundering.

- 13.3 The Council and the Government will not accept deliberate manipulation and fraud. Any business caught falsifying their records to gain grant money will face prosecution and any funding issued will be subject to claw back.
- 13.4 To minimise the risk of fraudulent grant claims, the Council's Fraud Investigation Team will carry out anti-fraud checks which may include use of the Government's 'Spotlight' tool. We may use data provided by third parties in undertaking verification of claims, such as data provided through the National Fraud Initiative, and we may use third parties to check data received, such as the National Anti-Fraud Network (NAFN). We will store this information electronically and will share it with other Council Officers who may be involved in considering your grant.
- 13.5 The Council is compliant with the Data Protection Act 2018 and is compliant with all its obligations under the General Data Protection Regulation.
- 13.6 All data collected will be stored in accordance with the law and will be destroyed in-line with the Council's data retention policy.