

Additional Restrictions Grant (ARG) – Discretionary Grant Policy 2020/21 to 2021/22

Government Guidance

Introduction

This support was announced on the 31 October 2020 for Local Authorities under national and Local Covid Alert Level 3 restrictions. It is not retrospective and the Council cannot vary this.

Local authorities can use this funding for business support activities. We envisage this will primarily take the form of discretionary grants, but LAs could also use this funding for wider business support activities.

Local Authorities can determine how much funding to provide to businesses from the ARG funding provided, and exactly which businesses to target.

However, we encourage Local Authorities to develop discretionary grant schemes to help those businesses which – while not legally forced to close – are nonetheless severely impacted by the restrictions put in place to control the spread of Covid-19. This could include – for example – businesses which supply the retail, hospitality, and leisure sectors, or businesses in the events sector.

Local Authorities may also choose to help businesses outside the business rates system, which are effectively forced to close – for example market traders.

Finally, Local Authorities could use ARG funding to provide additional support to larger local businesses which are important to the local economy, on top of the funding provided to those businesses via the LRSG (Closed) scheme, with due reference to State Aid.

In taking decisions on the appropriate level of grant, Local Authorities may want to take into account the level of fixed costs faced by the business in question, the number of employees, whether they are unable to trade online and the consequent scale of coronavirus losses.

Managing the risk of fraud and payments in error

Local Authorities must continue to ensure the safe administration of grants and that appropriate measures are put in place to mitigate against the increased risks of both fraud and payment error. In this respect, grant administrators should consider supplementing existing controls with digital tools to support efficient, appropriate and accurate grants awards.

Pre- and post-event assurance

The general principle applies that Local Authorities are responsible and accountable for the lawful use of funds under Section 151 of the Local Government Act 1972. The Section 151 Officer within the Local Authority is required to exercise their duties in line with the Chartered Institute of Public Finance and Accountancy (CIPFA)

guidance, ensuring their oversight of the proper administration of financial affairs within the Local Authority, including these grants.

To deliver this assurance requirement, Local Authorities should develop pre and post-payment assurance plans for the grant scheme.

The volume and depth of checks that a Local Authority undertakes as detailed in these plans should be proportionate to the grant value versus the cost of the check, and informed by a Fraud Risk Assessment of the likelihood of error and/or fraud in the payments they have made.

The full guidance is available at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/935130/additional-restrictions-grant.pdf

Merton's Phase One Update

Cabinet agreed on 7 December 2020 phase one scheme for the ARG grants. This prioritised businesses that pay business rates that had not received any previous business rates reliefs or grants. It also prioritised businesses run from home that employ staff in addition to the director/owner. Grants of £5,000, £10,000 and £25,000 would be awarded

Cabinet allocated £2 million to phase one. A large number of applications were received, many from businesses that did not meet the qualifying criteria, the most common being:

- Sole traders or directors working from home that did not employ staff
- Businesses that had received the initial business support grants or retail, hospitality and leisure grants
- Businesses in shared accommodation (not the rate payers but renting offices or space)

As at 10 March £1,095,000 had been awarded in grants to 57 businesses. There are still a small number of applications outstanding where further information is due.

The scheme awarded grants up to £25,000 grants to businesses that have so far not had any support, including those that support the hospitality and events sector and the language schools.

Merton's Funding

The Council has received £4,130,960. This funding is available to support sustainable businesses between 3 December 2020 and 31 March 2022. In early January 21 the Government announced a further £1,834,777 in funding, taking Merton's total funding to £5,965,737 of which approximately £4,870,737 is available for Phase 2.

Merton's Policy

Which businesses will benefit from the discretionary grant phase two?

Phase two of the scheme will consist of two elements detailed below:

- Wider business support initiatives administered by Future Merton
- Direct grants for home based businesses and micro and small businesses with accommodation costs (either business rates or rent/licence fees)

Wider Business Support Initiatives

Up to £1 million of funding will be allocated to the Future Merton team to procure support for businesses that will help ensure sustainability, development and enhance the high streets and our business premises offer. The focus will be on developing infrastructure which will support outcomes rather than activities aimed at individual businesses.

To develop a programme of outward facing business support activities to run to March 2022 for example:

- Improvements to broadband connectivity in the boroughs black spots
- Services and comms activities to continue the message on re-opening safely and inspiring residents to shop locally through wider promotional campaigns with local business groups.
- Supporting opportunities around additional affordable local workspace and pop ups in empty premises.
- Enhancing Merton's business spaces, High Streets and town centres.

The funding will include the cost of employing new staff up to £100,000 for the sole purpose of providing outward facing business support/development projects.

The Director of Corporate Services can divert any of this funding into the second stream if it's proving difficult to spend the allocated amount or to ensure future bids for discretionary funding can be made.

Direct Grants to Home Based Businesses and Micro and Small Businesses

All remaining funding (not less than £3.5 million) will be allocated for direct business grants reflecting the criteria set out below

Home Based Businesses

- Minimum turnover of £15,000 per year – turnover is the amount of sales for a given period
- Business run from a Merton residential address

Micro and small businesses

Definition of micro business

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

Definition of small business

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

Eligibility Criteria

- Trading prior to 1 January 2020
- Evidence a 40% loss of income for period April 2020 to March 2021 compared to previous year
- Micro and Small Businesses have accommodation costs – either business rates and/or rent/mortgage/licence fees. (Businesses in shared office/spaces are included)
- Not national run companies operating a number of stores or chains locally or across the UK.
- Businesses that have received previous business rates relief and/or grants can apply (Small and Micro businesses only)
- Not received Government self-employed grant (Home based businesses)

Level of Grants

The level of grants will be based using three factors and each factor will have a points ranking.

- Fixed Business Property/Accommodation Costs
- Number of employees of the business
- Number of Merton residents that are employees of the business

Calculation of Level of Grant

Each application will be calculated a point score based on the criteria. After all applications have been reviewed and scored the total number of points for all applications will be calculated and based on the exact level of funding available each

point will be awarded a monetary value. Successful applications will then receive a grant to the value of their points score multiplied by the value per point.

For example, if after all applications have been reviewed the total points calculated for all was 3,500. As the total funding was £3,500,000 each point would be worth £1,000 grant (£3,500,000 fund divided by total points 3,500)

If a business scored 20 points from their application they will be awarded £20,000 in grant, subject to the cap.

This approach will ensure that all the funding will be spent in phase two of the scheme.

Grants will be capped at 100% of the total loss of income

Points Ranking

Accommodation costs

- Monthly accommodation costs are £500 or less – 1 point awarded
- Monthly accommodation costs are £501 to £1,000 - 2 points awarded
- Monthly accommodation costs are £1,001 and over – 3 points awarded

Accommodation costs are calculated as rent and businesses rates combined. If the business has more than one property in Merton accumulated costs will be taken. If in 2020/21 the business has received business rates relief then the rates charge per month will be zero.

Accommodation costs for properties outside of Merton will not be included

Number of employees of the business

- For each non Merton resident employed by the business – 1 point awarded
- Number of Merton Residents employed by the business – 3 points awarded

Loss of Income

All applicants must evidence a 40% or greater loss of income for the period April 20 to March 21 compared to the same period in the previous year. Loss of profit will not be considered)

If a business does not have a full years trading records for 2019/20 the Panel will extrapolate income for the part of year over the whole 12 months

Additional Information

Only one grant per business can be awarded and the level of grant will be capped to the amount of income lost for the year

A business run from home would be awarded three points as the application must be a Merton resident. Additional points would be for any staff employed. Property costs for the home will not be taken into account.

If a business has more than one site in Merton accumulative accommodation costs and employees for both sites will be calculated.

If a business has one or more sites located outside of Merton then the accommodation costs and employees associated with these sites will be excluded.

Employees need to be salaried and not contractors or self-employed staff.

Merton's approach

The Council will invite applications for a 21 day period to be made via an online form on the Council's website. Businesses will be required to provide information and evidence to support the claim via the online form.

All applications will need to have been received and assessed before any grants are paid.

Evidence will be required to validate the claim and captured to provide to the Government. This information will include, evidence of property costs, bank details for the business, evidence of loss of income, number of employees of the business, number of Merton residents employed by the business, type of business, proof of trading since 1 January 2020.

Businesses must have been trading prior to 1 January 2020

Businesses will be required to confirm that they meet the criteria of one of the three elements of the scheme, and that the amount of relief is not in excess of State Aid limits. (See the De Minimis Regulations (1407/2013))

There will be pre and post payment checks undertaken.

Exclusions from the discretionary grant

Businesses that are in administration, are insolvent, struck off or where a striking-off notice has been made are not eligible for funding under these schemes

Businesses that were not trading at 1 January 2020

Businesses/Charities that received funding through Merton Giving will not be considered for a grant.

Decision making

If the information requested is not provided, after working with the applicants, the application will be refused.

Decisions on applications and awards will be made at a panel consisting of:

- Director of Corporate Services
- Chief Executive of Merton Chamber of Commerce
- Chief Executive of MVSC
- Head of Revenues and Benefits
- Economy Manager

Final decision will be made by the Director of Corporate Services.

The applicant will be notified of the decision by email.

The progress and results from the scheme will be reported to Cabinet and BEIS and successful applicants published on our website

Appeals

Merton is not required to provide a right of appeal against any decision as this is because grants awarded under the Additional Restrictions Grant scheme are discretionary awards.

However, Merton will work with applicants to make sure they provide the necessary evidence to support a successful application.

The Council operates a complaints process for dissatisfied service.

This page is intentionally left blank