



Department for
Business, Energy
& Industrial Strategy

Local Restrictions Support Grant (Sector) – Frequently Asked Questions (FAQ)



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If you have any enquiries regarding this document/publication, to us at: enquiries@beis.gov.uk

Department of Business, Energy and Industrial Strategy
1 Victoria Street
London
SW1H 0ET

Telephone: 020 7215 5000

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About this document

1. The Local Restrictions Support Grant (Sector) was announced on 9 October 2020 for businesses that have been required to close nationally since 23 March 2020 in all 314 business rate billing Local Authorities. These Frequently Asked Questions (FAQs) may also cover any new national closures of business property types in future. Guidance on the fund has been published on GOV.UK.
2. This document is aimed at Local Authorities to provide answers to FAQs regarding the criteria and management of the fund.
3. For further information on business support, please see www.gov.uk/coronavirus/business-support

General

4. What is the purpose of this funding?

This funding is being made available to support businesses across England unable to reopen since 23 March 2020. Funding may also be made available should national closures be imposed on other business types in the future.

5. How much funding will be provided?

Businesses on the ratings list within the relevant Local Authority that have been subject to national closures since 23 March 2020 will receive:

- £667 per 14-day period of closures for every hereditament on the rating list with a rateable value of £15,000 or less
- £1,000 per 14-day period of closures for every hereditament on the rating list with a rateable value of more than £15,000 and less than £51,000
- £1,500 per 14-day period of closures for every hereditament on the rating list with a rateable value of exactly £51,000 or above.

This will include nightclubs and sexual entertainment venues and will be payable across all 314 billing authorities. The introduction of grants for businesses that have been unable to reopen since 23 March 2020 will come into effect from 1 November 2020. Closure periods for these businesses will run from this date and will not be back-dated further.

6. What is a qualifying restriction period?

One payment will be made for each full 14-day period. Each further full 14-day period triggers an additional payment. In order to receive a follow-up grant a business must have remained closed for a full additional 14-day period.

7. When should the 14-day period that a business must be closed to receive a grant be counted from?

The first 14-day period begins 1 November 2020. Grant funding will be provided in 14-day tranches from this date.

8. Is this scheme UK-wide?

This grant funding scheme is only for English Local Authorities affected by local restrictions. However, The Chancellor announced on 5 November 2020 an increase in the upfront guarantee of funding for the devolved administrations from £14 billion to £16 billion. This uplift will continue to support workers, business and individuals in Scotland, Wales and Northern Ireland. The Barnett formula will apply in the usual way to any additional funding provided to departments in relation to this intervention.

9. Are these grants subject to tax?

Grant income received by a business is taxable, therefore the Local Restrictions Support Grant will be subject to tax. Only businesses that make an overall profit once grant income is included will be subject to tax.

10. How will Local Authorities know when businesses in their areas become eligible for this grant?

Where Local Authorities have sectors that are subject to national closures, all 314 Local Authorities are in scope to receive funding through the Local Restrictions Support Grant (Sector), regardless of Local Covid Alert Level ratings Medium, High and Very High.

Government will work with eligible Local Authorities to identify the correct businesses.

11. Will funding be available if a Local Authority imposes its own restrictions on businesses in the area?

This funding is only available for restrictions imposed by Government. These are legally binding restrictions imposed on specific Local Authority areas, or multiple Local Authority areas, where the Secretary of State for Health and Social Care requires the closure of certain businesses nationwide under regulations made using powers in Part 2A of the Public Health (Control of Disease) Act 1984 in response to the threat posed by Covid-19, and commonly as part of a wider set of measures.

Where Local Authorities have used powers to impose local restrictions themselves, this funding scheme will not be available.

12. Are there any conditions attached to this grant funding?

Recipients of grant funding must comply with all the scheme conditions, including eligibility, State aid requirements, and the provision of information to the Local Authority to support monitoring and assurance. By accepting the grant, each recipient confirms that they are eligible for the scheme. If a Local Authority subsequently finds that this self-declaration is incorrect it will be able to take action and the business would be liable for clawback.

13. How long does this scheme run for?

The Local Restrictions Support Grant (Sector) runs until April 2021, with a review point in January 2021.

Eligibility

14. Which businesses are eligible for the Local Restrictions Support Grant (Sector)?

Grants will be available to businesses that have not been allowed to open since 23 March according to Part 2A of the Public Health (Control of Disease) Act 1984 in all 314 business rate billing Local Authorities in England from 1 November 2020. This applies regardless of whether that Local Authority is subject to additional local restrictions. The following businesses have remained closed by law throughout this period:

- Nightclubs, dance halls, and discotheques;
- Sexual entertainment venues and hostess bars.

The LRSG (Sector) may also be available should national closures be imposed on other business types in the future.

15. Where a business has changed its service to avoid the requirement to close on a national basis, would it still be eligible to receive a grant under the LRSG (Sector) scheme?

No, the LRSG (Sector) is available only to support businesses that have been unable to reopen in any form since 23 March 2020, or are subject to future national restrictions that apply to a sector (rather than by LCAL). If a business that has repurposed to remain open could benefit from accessing a grant scheme, it may be able to apply for a grant through the Local Restrictions Support Grant (Open) scheme.

16. Where a business has changed its service to avoid the requirement to close on a national basis, but the new business is also required to close later due to LCAL Very High or national restrictions, can it receive grants under the LRSG (Sector) scheme?

If a business has repurposed to remain open but is later required to close due to new restrictions, it may be eligible to receive grants under the LRSG (Closed) scheme. As the business has repurposed, it would no longer be eligible for LRSG (Sector).

17. How are Local Authorities expected to identify eligible businesses within their area?

Local Authorities will be able to identify nightclubs and sexual entertainment venues by determining which businesses hold late-night licences. SCAT codes and property descriptions could also assist Local Authorities to identify businesses that might be eligible. The SCAT codes and property descriptions can give an initial grouping, then we would encourage Local Authorities to use their local knowledge and existing records to assess which businesses are eligible for a grant. It is ultimately for the Local Authority to decide how best to administer the grant in their area.

Where a business has chosen to re-open as a bar, for example, it is ineligible for this grant.

18. Can businesses with multiple properties claim multiple grants?

Eligible businesses that are within the relevant Local Authority area covered by localised restrictions will receive a grant for each eligible hereditament. However, businesses must remain within the financial thresholds set by State aid law, which may be reached if businesses have previously received State aid funding. Please see the 'State aid' section for more information.

19. Will businesses be able to receive grants from other LRSG schemes?

Local Authorities will be able to use their discretion to use the Additional Restrictions Grant or LRSG (Open) funding to provide top-up grant funding where they deem it necessary to support businesses essential to their local economies.

20. If a hereditament does not resume trading after the localised lockdown period, is it still eligible for a cash grant?

Yes, as long as the business is not in liquidation or dissolved or is subject to a striking off notice when the grant is awarded, and otherwise meets all applicable conditions (including not being an undertaking in difficulty on 21 December 2019 – see Q42), it is eligible for a grant.

Grant recipients

21. Can businesses that are eligible but don't want or need funding opt out?

A business may decline the grant.

22. What happens where there is more than one liable party per property? Do they get a grant each, or are they expected to share?

Each hereditament will only have one registered ratepayer. They will take receipt of the grant.

22. How should grants be administered where a business is in administration or liquidation?

These grants have been created to provide support to active businesses. Businesses will need to confirm they are not in liquidation in order to receive the grant. Some businesses that fail the undertaking in difficulty test on 31 December 2019 are also ineligible for payments under the COVID-19 Temporary Framework for UK Authorities.

23. Is there a date by which a business needs to have been trading in order to be eligible to receive grants under this scheme?

To be eligible to receive grants under this scheme, the business must have been trading the day before the national restrictions came into force (23 March 2020). However, this is subject to change if other sectors besides nightclubs and sexual entertainment venues are closed on a national basis, at which point the FAQs for the Local Restrictions Support Grant (Sector) will be updated accordingly.

Introduction of national restrictions

24. How is this scheme impacted if national restrictions are introduced?

In the event of renewed widespread national lockdown restrictions being imposed, the Local Restrictions Support Grant (Sector) will cease to apply, as relevant businesses will receive funding from the LRSG (Closed). Any LRSG (Sector) payments due to be made between national restrictions being announced and then coming into force will be calculated pro-rata. Pro-rata payments will also be made for any backdated amounts calculated.

To ease the burden of distributing grants to businesses, Local Authorities may wish to bundle pro-rated payments covering short periods with the payments covering 28 days made under the Local Restrictions Support Grant (Closed) Addendum, but payments should be reported and accounted for separately.

Please see **Local Restrictions Support Grant (Closed) Addendum FAQs** for further information.

25. If national restrictions are introduced, will other businesses come into scope to receive funding through the Local Restrictions Support Grant (Sector)?

Where national restrictions result in other businesses becoming subject to national closures, they will be able to claim grants through the Local Restrictions Support Grant (Closed), as the Local Restrictions Support Grant (Sector) will cease to apply in the event of national restrictions.

The LRSG (Sector) will come into force again with the lifting of national restrictions. If national restrictions are lifted, but additional businesses besides nightclubs and sexual entertainment venues are required to remain closed nationwide, these businesses would be able to receive grant funding through the LRSG (Sector).

Payment

26. How will the funding totals for Local Authorities be calculated?

Government will work with the affected Local Authority to assess the number of eligible businesses in a Local Authority. This will enable a figure to be calculated for the grant fund.

27. What is the process for Local Authorities receiving the funding and payments being made?

Funding will be provided to Local Authorities on a case-by-case basis under a Section 31 payment accompanied by a Grant Offer Letter. Funding will be issued upon confirmation of a 14-day closure period so that local authorities can distribute grants to eligible businesses as quickly as possible.

28. Will New Burdens payments be provided for this funding?

We are committed to meeting the New Burdens costs to Local Authorities for this scheme. A New Burdens Assessment will be completed, and funding will then be

provided to Local Authorities.

29. Can Local Authorities use funding left over as underspend from previous Covid-19 grant schemes to award these grants?

While awaiting payment of the funding for the Local Restrictions Support Grant, Local Authorities may use underspend from previous grants to cover costs. However, underspend for each grant must ultimately be returned through each respective grant reconciliation process.

30. What is the appeals process for businesses under this scheme?

There is no appeals procedure. It is up to Local Authorities to apply the guidance as they see fit.

The Government will not accept deliberate manipulation and fraud – and any business caught falsifying its records to gain additional grant money will face prosecution and any funding issued will be subject to claw back, as may any grants paid in error. We will provide further guidance on payment assurance, including financial accountability.

Fraud

31. What should a Local Authority do if it detects or suspects fraud through this scheme?

If Local Authorities detect fraud (successful, rather than attempted), or if they suspect fraud (attempted, as well as actual) that is organised, large scale systematic, or which crosses Local Authority boundaries, they must report it in real time. We recommend Local Authorities report it simultaneously to the dedicated inboxes at the National Anti Fraud Network (intel@nafn.gov.uk) and the National Investigation Service (report@natis.pnn.police.uk). Local Authorities may be contacted for further information to assist with lines of enquiry being pursued.

32. If a payment subsequently turns out to have been made due to fraud or error, will Government expect the council to meet the cost?

The Government will not accept deliberate manipulation and fraud – and any business caught falsifying its records to gain additional grant money will face prosecution and any funding issued will be subject to claw back, as may any grants paid in error. We will provide further guidance on payment assurance, including financial accountability.

State aid

33. Do State aid rules apply to business grants provided under this scheme?

Yes. State aid applies to these schemes, and all recipients are required to comply with the maximum permitted funding under the relevant State aid rules – EUR 200,000 over three years under the De Minimis Regulation, or EUR 800,000 under the COVID-19 Temporary Framework for UK Authorities (lower thresholds apply to agriculture, fisheries and aquaculture business). The De Minimis aid and the

Temporary Framework can be combined to bring the aid per company to up to €1 million. Any business that has reached the limits of payments permissible under the De Minimis and the UK Covid-19 Temporary State Aid Framework will not be able to receive further grant funding.

Excluding small and micro undertakings (less than 50 employees and less than EUR 10 million of annual turnover and/or annual balance sheet), a business receiving grant paid under the Temporary Framework must also confirm that they were not an undertaking in difficulty on 31 December 2019. This exemption for small and micro undertakings does not apply if the undertaking is subject to collective insolvency proceedings under national law, has received rescue aid that has not been repaid, or is subject to a restructuring plan under State aid rules.

Grants provided under the Local Restrictions Support Grant scheme can be made under either the De Minimis Regulation (where the relevant conditions are met), or under the COVID-19 Temporary Framework for UK Authorities where for example, the De Minimis threshold has been reached. Local Authorities must ensure all relevant State aid law requirements are complied with, including any relevant reporting requirements to the EU Commission under State aid rules.

34. What checks are councils expected to make regarding State aid?

Businesses will be required to confirm that they comply with the scheme conditions, for example that they did not fall within the definition of an undertaking in difficulty on 31 December 2019 (excluding small and micro businesses), and have not received more than the maximum permitted funding for State aid. Local Authorities will write to businesses to ask for confirmation of this. Annex B of the Guidance provides a sample letter for Local Authorities to send to grant recipients.

35. What does it mean to be an Undertaking in Difficulty?

An 'undertaking in difficulty' is defined² 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 earnings before interest, tax, depreciation and amortisation (EBITDA) interest coverage ratio has been below 1.0.

This test only applies to payments made under the Temporary Framework but excludes small and micro businesses (fewer than 50 employees and less than EUR 10 million of annual turnover and/or annual balance sheet). This exemption for small and micro undertakings does not apply if the undertaking is subject to collective insolvency proceedings under national law, has received rescue aid that has not been repaid, or is subject to a restructuring plan under State aid rules.

36. Are there any plans to increase the State aid limit from 800,000 Euros, in line with the change in EU State Aid rules on 13 October that allowed an increase to 3m Euros an undertaking?

On 13 October 2020 the European Commission (CION) announced further amendments to its State aid Temporary Framework - introducing a new measure enabling further support to companies facing a decline in turnover during the eligible period of at least 30% compared to the same period of 2019 due to the coronavirus outbreak. The support can be provided for up to 70% (90% in case of micro and small companies) of the beneficiaries' fixed costs that are not covered by their revenues or other specified sources, up to a maximum amount of EUR 3 million per undertaking. The aid under this measure cannot be cumulated with other aid for the same eligible costs and is subject to further conditions set out in the Temporary Framework. The U.K. Government has notified the CION of its intention to use the new provision and must await approval from the CION to do so. The Covid-19 Temporary Framework for UK Public Authorities will need to be amended before aid under this new measure may be provided. All Local Restrictions Support Grants guidance documents will be updated to reflect the new provisions if and when they are applied to the LRSG schemes once the U.K. Government has approval. See announcement: https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1872

Assurance / reporting

37. What are the expectations for reporting back to central government? Could not returning all details risk grant repayments?

Local Authorities will be required to report to BEIS on the fund. Reports will cover the number of businesses eligible for the scheme, the number of actual payments per restriction period and any issues encountered in implementing the scheme. Please refer to Annex A of the Guidance for full details of Post-Payment Reporting. The return will be completed using the DELTA reporting system.

DELTA returns serve two main purposes:

- a. Local Authorities continue to have enough cash to pay grants to businesses;
- b. There is a huge amount of interest (including ministerial) in the performance of this scheme. We will be reporting this information to ministers on a regular basis.

38. Will Local Authorities be expected to provide returns on a constituent basis?

Local Authorities should organise their reporting such that returns on a constituency basis can be provided if required.

39. When will LAs receive the Risk Assessment/Assurance Plan templates?

Further advice on assurance will be provided shortly.