



Department for
Business, Energy
& Industrial Strategy

Additional Restrictions Grant – Frequently Asked Questions (FAQ)



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About this document

1. The Additional Restrictions Grant was announced on 31 October 2020 to enable Local Authorities to support businesses in their areas under Local Covid Alert Level Very High (LCAL 3) or national restrictions and to provide support to businesses alongside the Local Restrictions Support Grant. Guidance on this scheme has been published on GOV.UK.
2. This document aims to provide Local Authorities with answers to Frequently Asked Questions 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 local economies and businesses that have been adversely impacted by national and LCAL Very High restrictions imposed to prevent the spread of Covid-19.

5. How much funding will be provided?

Under the Additional Restrictions Grant, Local Authorities will receive a one-off lump sum payment amounting to £20 per head of population (ONS 2019 Mid-Year population estimates) in each eligible Local Authority when LCAL Very High or widespread national restrictions are imposed. In some cases, Combined Authorities will receive the funding when a group of Local Authorities enter LCAL Very High restrictions at the same time and agree to a package of support together. In these cases, the Combined Authority will be subject to the same conditions and obligations under this guidance as Local Authorities.

6. When does a Local Authority become eligible to receive this payment?

On the day that national or LCAL Very High restrictions are imposed on a Local Authority they will become eligible for payment under the Additional Restrictions Grant. All Local Authorities in England are now eligible under the scheme due to the national restrictions coming into force on 5 November 2020.

7. If a Local Authority exits National or LCAL Very High restrictions and then re-enters at a later date, will it receive an additional payment?

No, the Additional Restrictions Grant is a one-off lump sum payment.

8. When must Local Authorities use this funding by?

Funding provided under the Additional Restrictions Grant can be used across Financial Years 20/21 and 21/22.

9. Will Local Authorities within Combined Authorities where it is the CA that receives the Additional Restrictions Grant be eligible for additional funding via this scheme?

No, these Local Authorities will not receive further payments under the ARG and should access funds for business support through the payments made to the Combined Authorities.

10. 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 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.

11. Are grants made under the scheme 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.

12. How will Local Authorities know when they become eligible for this grant?

Guidance on local restrictions is published on GOV.UK, setting out the extent of restrictions. As England will be under national restrictions from the 5 November 2020, all Local Authorities in England will be eligible from this date if an enhanced package wasn't already agreed (as was the case in Liverpool City Region, Lancashire, Greater Manchester, South Yorkshire, West Yorkshire, Warrington and Nottinghamshire at the time of publication).

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

Recipients of grant funding must comply with all the scheme conditions, including 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 compliant with the conditions 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.

14. How long does this scheme run for?

The Additional Restrictions Grant provides funds for the financial years 2019/20 and 2021/22. There will be a review point for the scheme in January 2021.

15. How are Local Authorities expected to identify the types of businesses they wish to support within their area?

SCAT codes and property descriptions could 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 they wish to support. It is ultimately for the Local Authority to decide how best to administer the grant in their area. Local Authorities could also run an application process to identify businesses that – while not legally closed – have been particularly affected by national restrictions.

16. What is the difference between ARG and LRSG (Open) as both schemes provide funding for discretionary grants?

The Additional Restrictions Grant is for discretionary grants and wider business support measures. The grant funding will be made available to Local Authorities at the point that national restrictions are imposed or at the point the Local Authority enters LCAL Very High restrictions. It is a one-off lump-sum payment.

The Local Restrictions Support Grant (Open) applies only to Local Authorities that have entered LCAL High or LCAL Very High and is suspended during widespread national restrictions. It is provided for every 28-day period that an area remains in LCAL High or Very High. The funding is intended to support hospitality, accommodation and leisure businesses.

Eligibility

17. Which businesses are eligible for grants through the Additional Restrictions Grant?

Local Authorities have discretion to determine which businesses to support and how much funding to provide. However, Local Authorities are encouraged to support businesses that have been severely impacted by the restrictions but may not qualify under the Local Restrictions Support Grant scheme.

18. Should Local Authorities use this funding to support business that have been required to close?

As businesses required to close will also be receiving support under the Local Restrictions Support Grant (Closed), Local Authorities may wish to focus on other businesses when allocating this fund. However, Local Authorities do have the freedom to use funds from the ARG to provide top-up grants to businesses that are in receipt of grants under other schemes.

19. What conditions must Local Authorities meet when distributing the grants?

Local Authorities using the ARG for direct business support grants are subject to the same conditions that apply to the Local Restrictions Support Grant (Closed). However, Local Authorities will have the discretion to alter the amount of funding offered to individual businesses and the frequency of payment.

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.

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

Yes, so long as the business is not in liquidation or dissolved or is subject to a striking off notice when the grant is awarded.

21. Will Parish councils be eligible for this fund?

Yes, Town and Parish councils are eligible if they meet all the scheme criteria (the precepting authority exclusion does not apply to this fund). Each application must be assessed on its individual facts.

22. Can non-rated businesses receive support under this scheme?

Yes, Local Authorities can use this scheme to support businesses outside of the business rating system.

23. Can Local Authorities use ARG funding to provide top-up grants for businesses receiving LRSG grants?

Yes. Local Authorities have the freedom to use funds from the ARG to provide top-up grants to businesses that are in receipt of grants under other schemes.

24. Could a Local Authority make an agreement with site operators/owners, that host multiple non-rated retail businesses, for them to distribute funding amongst their tenants?

No. Both non-rate paying and rate paying businesses should apply for grants individually. The different elements of ARG and Local Restriction Support Grant (Closed) Addendum are designed so both rate paying and non-rate paying businesses will have access to grants.

25. If ARG is unspent can Local Authorities use it to support new businesses in 21/22 or must it be used to support businesses impacted by the outbreak of Covid-19 and the restrictions imposed by Government?

Local Authorities have the discretion to use funds for wider business support. However, we advise that Local Authorities allocate funds in line with the broader purpose of the scheme and therefore funds should be used to support businesses affected by the pandemic.

26. Are self-employed businesses eligible to receive funding under the ARG scheme?

Yes, at their discretion, Local Authorities can provide grants to self-employed businesses.

27. Can Local Authorities use ARG funding to support home-working businesses?

Yes, at their discretion Local Authorities can provide grants to home-working businesses.

Grant recipients

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

A business may decline the grant.

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

ARG is a discretionary grant scheme and Local Authorities will decide whether to pay the business ratepayer or the occupying business (or both).

30. 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.

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

The business must have been trading the day before restrictions came into force.

32. How does this funding work with shared space/serviced offices where tenants are not the rate payers?

Local Authorities will be able to provide grants to businesses not on the rating list that have been forced to close and/or those that have been severely affected by closures.

33. Will Local Authorities have to publish details of their schemes on their websites as with previous Covid-19 business support grant schemes?

Yes, Local Authorities are required to set out the scope of their discretionary grant scheme on their website and provide clear guidance to businesses on who is eligible and how they can apply.

34. What if the ARG grant does not cover the cost of supporting all severely impacted but not closed businesses?

The Additional Restrictions Grant can be administered at a Local Authority's discretion to any business that has been severely impacted. Local Authorities will need to determine how best to distribute funds among such businesses according to local needs.

35. Are the £20 per head calculations made on the total population or working age population?

The calculation is based on ONS 2019 Mid-Year Population Estimate for the total population within a Local Authority.

Payment

36. How will the funding for Local Authorities be calculated and paid?

Local Authorities will receive a one-off lump sum payment amounting to £20 per head in each eligible Local Authority when LCAL Very High or widespread national restrictions are imposed. Payments will be made in line with the grant offer letter sent to Local Authorities (using a grant under section 31 of the Local Government Act 2003).

37. 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.

38. When will Local Authorities receive the agreed funding from Government?

Local Authorities, or the Combined Authority in receipt of the ARG, will receive the funding on Friday 13 November.

39. Can Local Authorities use funding left over as underspend from previous Covid-19 grant schemes to award grants under this scheme?

While awaiting payment of the funding for the Additional Restrictions 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's reconciliation process.

40. How should Local Authorities split the allocation of this funding between grants and other business support activities?

As this is a discretionary grant scheme, it will be for Local Authorities to determine how best to split the funding between grant schemes and other business support schemes.

41. 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.

42. Can Local Authorities have an overall discretionary scheme that covers both ARG and LRSO (Open)?

Yes, but Local Authorities will still be responsible for monitoring and reporting the schemes separately.

Fraud

43. 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.

44. 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

45. 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 (fewer 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.

46. 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.

47. 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 (less 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.

48. 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

49. 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 grant scheme. We will be reporting this information to ministers on a regular basis.

50. 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.

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

Further advice on assurance will be provided shortly.