

The administration and use of the special grant of £12m for financial assistance for businesses adversely affected by foot and mouth disease, April to July 2001

Results of a survey undertaken by the Welsh Local Government Association

August 2001

Summary

Councils expected to spend 93% of the grant (£11.2m) by the revised deadline of 31 July.

16 councils provided rate relief worth £9m to 4,800 businesses because of the hardship they were facing. Rate relief was given for 3 months upwards, with many businesses receiving 100% relief for the whole of the financial year 2001-02. It is estimated that across Wales over 6,500 businesses received rate relief.

These councils also provided grants worth £4.8 million to 2,200 businesses (some of which will also have received rate relief). It is estimated that across Wales about 3,000 businesses received grants.

The grants were given for a variety of purposes including:

- marketing and advertising
- business regeneration
- rents, trade refuse charges and utility bills
- to offset lost trade
- activities undertaken by umbrella organisations.

Some councils provided detailed information about which sectors of the business community had received help. The figures need to be treated with caution but suggest that at least 40% of the financial assistance was given to businesses providing tourist accommodation (hotels, guest houses, caravan parks etc.).

Councils took a range of other steps to assist businesses including:

- deferring or rescheduling payments of business rates and, in some cases, other charges

- tourism marketing activities
- additional publicity
- advice through Business Connect
- setting up a task force
- making the rural rate relief scheme more generous.

Author: Ian Miller, Head of Finance

Telephone: 029 2046 8620

E-mail: ian.miller@wlga.gov.uk

Coverage of the survey

This report is based on survey returns from 16 out of 22 county and county borough councils, from all parts of Wales including urban and rural areas (73% return rate). These councils were allocated £8.885 million of the special grant of £12 million (74%).

The assistance of the following councils in completing the survey is gratefully acknowledged:

Blaenau Gwent, Bridgend, Cardiff, Carmarthenshire, Ceredigion, Conwy, Flintshire, Gwynedd, Merthyr Tydfil, Monmouthshire, Neath Port Talbot, Powys, Swansea, Torfaen, Ynys Môn and the Vale of Glamorgan.

Information in the report is not attributed to particular councils.

Information on estimated expenditure at 31 July 2001 is based on a 100% return.

Chronology

27 February First confirmed case of foot and mouth disease in Wales.

27 March £12m grant announced by Minister for Finance, Local Government and Communities. Each council would receive an allocation, ranging from £100,000 and £1.5

million. The grant could be used for a range of purposes, including giving rate relief, but had to be for costs incurred in the period 1 April to 30 June 2001 in "providing financial assistance to businesses whose trade is adversely affected, directly or indirectly" by the outbreak.

5 April Special grant report No.7 approved by National Assembly. Contained some guidance about priorities for support.

9 April Section 2 of the Local Government Act 2000 was brought into force early by the Assembly, to allow councils to use it to provide support.

12 April Detailed guidance note issued by WLGA.

11 June Assembly announces that deadline for using the grant is to be extended to 31 July.

19 June Assembly approves special grant report No.13 to extend the deadline.

6 July Assembly asks councils to identify by 20 July likely level of expenditure of grant.

Expenditure

Councils predicted that they would spent 93% of the grant (£11.2m) by the revised deadline of 31 July. This figure is not final and may change because of decisions taken in late July and as a result of audit.

At least 50% of councils expected to spend their allocation in full.

The inability of other councils to spend their allocations in full is not necessarily their fault. The distribution of grant decided by the Assembly was not sufficiently sensitive to need to spend – which was not surprising given the speed with which the grant was announced and the impossibility of predicting, at that time, how the outbreak would impact on businesses in every part of Wales.

Informing business

All the councils contacted businesses in one or more ways to invite them to apply for assistance. This ranged from an advertisement in the local press and radio to mailshots to all businesses in the area or targeted groups (for example, tourism-related businesses). Other communication included press releases, contacting chambers of commerce or Citizens' Advice Bureaux, information on the council's web site and a telephone hot line.

Examples of specific actions include:

- council A sent a letter and application form to 3,300 businesses with a rateable value less than £50,000;
- council B sent 2 mailshots, to 4,400 and 7,000 businesses respectively;
- council C sent a letter and application form to all 1850 business rate payers in its area, other than buildings occupied by local authorities, telephone masts and advertising hoardings;
- council D contacted 2,000 businesses in the tourism, agriculture-related and retail sectors on 3 occasions.

In total, the 16 councils contacted well over 30,000 businesses.

Administration

All the councils in the survey required an application to be made, generally on a form. A couple of councils allowed the form or supporting information to be submitted electronically. Councils set deadlines for applications to be made, to ensure that they could assess them and take decisions before the statutory deadline for using the grant.

In the majority of councils, decisions on financial assistance were taken by panels of members advised by officers. The remaining councils set up other arrangements for decision-making including:

- panel of members and officers
- cabinet member for finance
- cabinet member and director of corporate services
- director of finance in consultation with members' panel
- officers
- officers subject to member endorsement
- officers' panel subject to appeal to members' panel.

Financial assistance provided

All but one of the 16 councils received applications for and gave **rate relief on grounds of**

hardship, under section 49 of the Local Government Finance Act 1988.

In total, these councils received over 5500 applications and awarded **rate relief worth £9.1 million to about 4800 businesses**, representing 88% of those that had applied. Two councils in the survey accounted for over half of these figures.

The average value of rate relief awarded was £1,900.

The average for individual councils ranged from £600 to £4,600 which reflects factors such as the number and nature of the businesses being helped and the variation in rateable values. For example, the council with the highest average gave rate relief to only 7 businesses, suggesting that one or two of them had high rates bills.

Councils considered applications from all types of business although many of them limited the amount of relief either in terms of type of business, rateable value or period. Examples of the rules that councils operated included:

- Criteria based on number of employees, retention of employees, losses incurred;
- rate relief limited to £7500, with a restricted period of relief for businesses with a rateable value over £50,000;
- 100% relief for 12 months where the rateable value was less than £50,000;
- 12 months relief where losses were evident for tourism, agriculture and leisure- related businesses. Other businesses received 3, 6 or 12 months relief;
- 3 months relief only unless there were exceptional circumstances;
- common policies for similar businesses: e.g. 12 months relief for all B&Bs; 6 months for gift shops.

Subject to any broad criteria such as these, the majority of councils decided each application on its merits. Only 2 councils reported operating a blanket policy for hardship relief. Council L gave a set percentage of relief while council M gave a standard level of relief if a business returned a simple tear-off slip: further relief could be made available if the detailed application form was completed.

The 16 councils reported that they had decided not to give hardship relief in nearly 700 cases (12% of applications received). Reasons for rejecting applications included:

- failure to supply information to demonstrate effect on trading
- applications received after the deadlines that councils had set
- a business which had ceased trading before 1 April and paid its bill for the previous year in full.

One council had received 150 applications for assistance after it had committed all the grant that was available to it.

One of the 16 councils had changed its **rural rate relief** scheme under section 47 of the Local Government Finance Act 1988. 25% relief was increased to 100% for those businesses which applied. 61 did so and received relief worth an average of £1,000.

13 of the 16 councils had **deferred payment of business rates**, usually where businesses asked for such help. Two councils were not taking recovery action on arrears for the time being. Most councils deferred payment for 2 or 3 months and reported no more than 20 cases of deferral. Council S had deferred payment for 290 businesses for 4 months, while two other councils deferred payments for businesses while their applications for financial assistance were being considered.

4 of the 16 councils had **deferred various other payments** that were due to them. The number of businesses being helped in this way was not significant. Two councils mentioned deferment of payments by county farm tenants.

All the councils reported giving, **under section 2 of the Local Government Act 2000, grants worth £4.8 million to 2,200 businesses**. Some of these businesses will also have received rate relief.

One of the 16 councils also relied on the economic development powers in section 33 of the Local Government and Housing Act 1989 until they were repealed on 28 July.

Among the 16 councils, the average grant given was £2,100.

The average for individual councils ranged from £400 to £5,900. The more urban authorities, which helped a relatively small number of businesses, tended to provide higher levels of grant, but the pattern was not uniform.

The grants were given for a variety of purposes including:

- marketing and advertising

- business regeneration
- rents, trade refuse charges and utility bills
- to offset lost trade or turnover
- waiving rents for 3 council-owned markets, and providing assistance to the operators of 3 other markets to pay their rents;
- activities undertaken by umbrella organisations, such as a local accommodation forum.

Some councils set a ceiling for grants for individual businesses (examples include £10,000 and £12,500) while another council adopted a common policy of grants for certain businesses (e.g. £2500 for each rural public house).

Financial assistance: sectoral analysis

Six of the 16 councils were able at this stage to provide detailed information about which sectors of the business community had received help. The information provided did not always use consistent definitions. This, and the small sample size which is not necessarily representative, means that **the figures need to be treated with caution**.

Based on the information from these six councils, £4.9 million of financial support in the form of rate relief and grants was allocated as follows:

Tourist accommodation (hotels, guest houses, caravan parks etc.) 42%

Visitor attractions and activities (e.g. outdoor pursuit centres,

zoos, horse-riding, sporting facilities) 7%

Agriculture and agricultural support industries (e.g. farmers,

feed merchants, haulage firms, auctioneers) 8%

Agri-food businesses 3%

Other businesses (e.g. restaurants, public houses, shops) 40%

Agricultural land is exempt from business rates and there are strict controls on financial support for agricultural businesses under the European Commission's rules on state aid.

These factors may explain why the agricultural sector received a relatively low level of assistance.

The bulk of recipients of assistance seem to have been tourist accommodation, public houses, restaurants and a wide range of rural and tourism-related shops and businesses. A couple of councils gave specific examples of businesses that had been helped, illustrating that the effect of the outbreak was felt across a surprisingly wide range of businesses:

- fishing tackle shop;
- leisure clothing firm;
- manufacturer of foam products;
- rosette manufacturer;
- retailer of camping equipment;
- coach companies;
- car auctioneer.

Non-financial assistance

In addition to rate relief and grants which were of direct financial benefit to businesses, a number of the councils reported that they had provided other assistance which would benefit businesses affected by the outbreak. These activities were funded from councils' own resources, not from the special grant.

They included:

- tourism marketing activities (one council spent about £37,000)
- supplementing normal advertising campaigns with press releases and other methods of support
- information on the web site about what is and is not open
- advice through Business Connect
- setting up a task force

- reminding business of support available from the local enterprise agency.

Footnote: how the 16 councils' figures were used to provide estimates for Wales

The numbers of businesses receiving rate relief and grants in the 16 councils were inflated in proportion to: the amount of the £12m special grant received by those councils; the number of hereditaments subject to business rates in the 16 councils compared to the total for Wales; and the rateable value of those hereditaments compared to the total for Wales. Statistics for the second and third estimates relate to April 2000.

These methodologies produced **estimates** in the range of 6,500 to 6,700 for the number of businesses that received rate relief and in the range of 3,000 to 3,100 for the number of businesses that received grants.