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Local Government Finance (WALES)

Special Grant Report (18)
(Wales) 2001

Financial Assistance for Businesses affected by Foot and Mouth Disease

Introduction

1. This Report is made by the National Assembly for Wales ("the Assembly") under section 88B of the Local Government Finance Act 1988 ("the 1988 Act"). This Report specifies a determination of special grants which the Assembly proposes to pay to county councils and county borough councils in Wales ("authorities").

2. This Report specifies the Assembly's determination of the authorities to which the grants are to be paid, the purpose for which the grants are to be paid and the amounts of the grants which the Assembly proposes to pay to each Authority. It also sets out such explanation as the Assembly considers desirable of the main features of the determination and specifies the conditions the Assembly intends to impose on the payment of the special grants.

The purpose

3. Pursuant to section 88B(3)(b) of the 1988 Act, the Assembly hereby determines the following purpose for which special grants are to be paid:

To assist authorities to meet costs and liabilities incurred up to 31 December 2001 under section 2(1) of the Local Government Act 2000 in supporting, by way of financial assistance or otherwise, businesses whose trade is adversely affected, directly or indirectly, by the outbreak of foot and mouth disease.

Authorities and amounts payable

4. Pursuant to section 88B(3)(a) and (c)(i) of the 1988 Act¹, the Assembly hereby determines that the authorities to which special grants are to be paid and the amounts payable are those specified in Annex A.

¹ Section 88B was inserted in the 1988 Act by paragraph 18 of Schedule 10 to the Local Government Finance Act 1992. By virtue of the National Assembly (Transfer of Functions) Order 1999 functions of the Secretary of State under section 88B are exercisable in relation to Wales by the National Assembly for Wales subject to the provisions of that order.

Conditions for the payment of special grants

5. Pursuant to section 88B(7) of the 1988 Act, the Assembly hereby specifies the conditions set out in Annex B as the conditions which the Assembly intends to impose on the payment of special grants.

Main features

6. Pursuant to section 88B(4) of the 1988 Act, the note at Annex C contains such explanation as the Assembly considers desirable of the main features of the determination specified in this report and appropriate guidance to local authorities in Wales on implementation.

Approved by resolution of the National Assembly for Wales [] 2001

Annex A

Amounts of grant payable to authorities

Local Authority	Grant Payable
	£'000s
Isle of Anglesey	710
Gwynedd	1,800
Conwy	490
Denbighshire	540
Powys	2,430
Ceredigion	420
Pembrokeshire	580
Carmarthenshire	510
Monmouthshire	610
Blaenau Gwent	40
Bridgend	50
Caerphilly	90
Cardiff	130
Flintshire	50
Merthyr Tydfil	30
Neath Port Talbot	60
Newport	130
Rhondda Cynon Taf	120
Swansea	80
Torfaen	40
Vale of Glamorgan	40
Wrexham	50
Total	9,000

Annex B

Conditions for the Payment of Special Grant

1. Expenditure supported by grants under SGR (no. 13) is ineligible for support by grants paid under this Report.
2. The grants set out in Annex A shall be **committed by 31 December 2001**.
3. In using the grant, an authority shall have regard to guidance issued by the Assembly. A copy of the guidance is at Annex C of this Report.
4. Each authority is required to record how the grant has been spent.
5. The authority shall supply to the Assembly such further information as may be required for the purposes of determining whether it has complied with these conditions.
6. Each authority which receives grant monies shall **ensure that the appropriate FM1 claim form is completed and forwarded no later than 31 January 2002**.
7. Arrangements should be made for an **audit report** (certified by the auditor appointed by the Audit Commission) **to be received by the Assembly not later than 30 April 2002**.
8. Where any amount of grant has been paid or committed for a purpose other than that set out in paragraph 3 of this report then such amount or amounts, as notified by the Assembly to the authority, shall be repaid to the Assembly.
9. If an authority fails to comply with any of these conditions then the Assembly may require the repayment of the whole or any part of the grant monies paid to that authority, as may be determined by the Assembly and notified in writing to the authority. Such sum as has been notified shall immediately become repayable to the Assembly.

ANNEX C

FINANCIAL SUPPORT FOR BUSINESSES AFFECTED BY THE FOOT AND MOUTH DISEASE:

EXPLANATION OF THE MAIN FEATURES OF THE DETERMINATION IN THE REPORT AND GUIDANCE TO LOCAL AUTHORITIES IN WALES.

Introduction

On 26 July, the Minister for Rural Affairs, Carwyn Jones, announced that £9 million would be made available to local authorities in 2001-2002 to enable them to make extensive use of their powers to provide support to businesses in their areas whose trade has been adversely affected by the foot and mouth outbreak. This amount is additional to the £12 million made available to local authorities for similar purposes which was announced on 27 March by the Minister for Finance, Local Government and Communities, Edwina Hart, and [distributed] through Special Grant Reports (No. 7) and (No. 13) (Wales) 2001.

The distribution formula used allocates 90% of the funding to the nine predominantly rural authorities, with the remaining 10% going to the 'non-rural' authorities. The allocations are then weighted according to whether a substantial infected area exists or existed in the authority, and according to further tourism and agricultural factors.

The determination in the report specifies the additional amounts which are to be paid to local authorities in Wales to assist them in providing financial assistance to businesses whose trade has been affected adversely by the outbreak of foot and mouth disease and provides guidance to those authorities on the use of their powers.

Priorities for action

The size and types of businesses suffering trading difficulties as a result of the foot and mouth outbreak will vary between local authority areas. Local authorities are, therefore, best placed to decide which businesses to support in the light of the knowledge they gather about the impact of the disease on their local economy. However, we imagine it would be helpful to give authorities some guiding principles on how the money might best be used.

It is our intention that support should be targeted primarily at smaller businesses, although authorities are free to support other businesses that have been adversely affected. We are particularly keen to help the following types of business:

- those dependent on agriculture and ancillary activities - e.g. blacksmiths/farriers, saddlers, food processors, manufacturers and retailers

- the tourism industry – e.g. hotels and guest houses, pubs, restaurants and other catering establishments, gift shops, local tourist attractions, outdoor activity centres and other leisure facilities
- businesses forced to close because of statutory restrictions.

This is not a definitive list. There will be other businesses equally deserving of support and this is where local knowledge will be important.

It is intended that the grants should be used primarily of the purpose of providing direct financial assistance to affected businesses. A proportion of the money may, however, be used to provide indirect support to such businesses, eg by the funding of a joint marketing initiative, where the authority considers that such a use would be more beneficial.

Authorities may use up to 2.5% of the amounts allocated to them to administer the grants.

Section 2(1) of the Local Government Act 2000

Section 2(1) of the Local Government Act 2000 provides authorities with a new discretionary power to do anything which they consider is likely to promote or improve the economic, social and environmental well-being of their areas. This power came into effect on 9 April 2001.

Support could be given to businesses to:

- train and re-skill employees;
- provide specialist advice and consultancy;
- invest in diversification and refocusing of activities;
- seek new markets for existing activities and market new activities;
- meet the interest costs of commercial loans taken out to finance restructuring and recovery.

This is not an exclusive list and there may be other measures which the authorities may wish to use. We would expect authorities to take account of complementary support measures undertaken by other economic development agencies (WDA, WTB, ELWa etc) and the Assembly (in respect of agricultural support) in developing their proposals.

State aids

Authorities should note that in cases where EC state aids rules apply, assistance is usually allowed below a certain de minimis threshold. That is €100,000 (around £60,000) to any one business over three years. The UK Government plans to approach the European Commission for an exemption from the State Aids rules for Foot and Mouth Disease – related assistance to

non-farming businesses. The final terms of this approach have not yet been agreed, and we will keep authorities informed of developments. In the meantime, authorities are advised to keep within the de minimis thresholds and sectors.

Particular care needs to be taken in supporting the agricultural sector. As a basic guide, primary production (eg buying animals, increasing production levels etc) is specifically excluded from support. Other forms of assistance are permitted (subject to the de minimis threshold noted above), but authorities need to abide by the state aid restrictions for the agricultural sector if they are helping farmers do anything that is land-based. Wider diversification (eg fabrication, office services, tourism) is permitted, but authorities need to avoid duplicating existing Assembly grant schemes. Authorities with proposals for the agricultural sector are advised to contact the assembly at the contact point below.

Further information

Further information on foot and mouth disease can be found on the Assembly's website at www.wales.gov.uk/newsflash..

Enquiries about the content of this guidance should be directed to:

Emyr Roberts on 029 20823634 (emyr.roberts@wales.gsi.gov.uk)

Terri Thomas on 029 20825471 (terri.thomas@wales.gsi.gov.uk) for agricultural sector advice

National Assembly for Wales