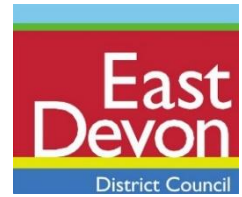


East Devon District Council



Employee Ownership Transition Fund (EOTF)

Policy & Guidance

V1 – 1 August 2025

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1.0 Purpose

1.1 The purpose of this document is to outline the eligibility criteria and application process for the Council's Employee Ownership Transition Fund (EOTF).

1.2 The purpose of the EOTF is to support and incentivise businesses in East Devon to undertake a transition to employee ownership through the awarding of grants. This links to the Council's strategic aim of improving business productivity and higher incomes for employees within the district.

2.0 Budget

2.1 A total of £5,000 has been allocated to this scheme. There is no deadline by which this budget must be spent.

2.2 Funding will be distributed on a first-come-first-serve basis to those who meet the scheme's eligibility criteria until the budget has been fully spent.

2.3 The Council reserves the right to amend the total funding allocated to this scheme or to close it early.

3.0 Eligibility

3.1 For the purposes of this scheme the following eligibility criteria must be met in order to receive a grant through the EOTF.

3.2 A business must be trading at the time of their application and at the time of transition. Businesses are considered to be trading if they are carrying on a trade or profession, or buying and selling goods or services in order to generate turnover.

3.3 A business can only receive an EOTF grant if:

- a) it has at least five employees at the time of transition (there is no maximum employee threshold)
- b) it is seeking funding to help cover the administrative and legal costs of transferring ownership to an employee ownership trust (EOT)
- c) the EOT owns and controls at least 51% of the business and where all employees are beneficiaries of the trust.
- d) it does not intend to use the funding to substitute lost income/turnover, to cover existing fixed business/operation costs, or for any other activity not related to the criteria outlined in 3.3b
- e) it can demonstrate that it primarily operates and trades within East Devon from a fixed commercial address
- f) it is not in administration, insolvent or has been struck off the Companies House register
- g) it has not exceeded the permitted subsidy control threshold

3.4 The following activities are regarded as eligible administrative and legal costs:

- a. drafting legal documents, such as the Trust Agreement and Share Purchase Agreement
- b. valuation of the business to determine the market value of the shares being transferred
- c. external administrative support for the creation of the Trust and engaging with employees on the ownership transfer process
- d. training costs for trustees and employees specifically related to employee ownership

3.5 The applicant must complete the ownership transfer process by using an accredited legal services provider.

3.6 Those businesses which have already concluded a transition process prior to the launch of the fund will not be eligible for an EOTF grant.

3.7 To discuss any concerns regarding the eligibility of your business, please contact the team at business@eastdevon.gov.uk

4.0 Funding Amounts

4.1 The grant amount awarded to eligible applicants will be determined by the number of employees the business has at the completion point of transference to employee ownership. The grant amounts are as follows:

- a) £1,000 for businesses with 5-49 employees
- b) £2,500 for businesses with 50+ employees

4.2 Applicants must demonstrate that they can cover the remaining costs of the ownership transfer. The Council does not accept any responsibility for any remaining costs or liabilities.

4.3 All grants will be paid in arrears once the employee ownership transfer process has completed.

4.4 All applicants must provide a copy of all invoices for the administrative and legal services to be covered by the grant which are relevant to the employee ownership transfer process. This must be provided as a PDF document, screenshot or scan. The invoice/s must include the date and total cost. All invoices will be subject to verification.

5.0 Making an Application

5.1 All applicants are required to submit an expression of interest (Eoi) application form prior to starting the ownership transfer process. There will be no exceptions to this.

5.2 To request an expression of interest (Eoi) form, applicants must contact the Council's Economic Development team via email: business@eastdevon.gov.uk

5.3 Where an applicant is deemed eligible at the expression of interest stage, the Council will confirm this to the applicant through a Notification of Commitment letter sent via email. Once signed, this will confirm the applicant's intention to begin the transition process and the Council's commitment to reserve the relevant grant amount from its budget. The purpose of this is to give applicants confidence that the EOTF budget will not be fully

exhausted by the time the ownership transfer process has been completed. The grant will be reserved for a maximum period of 12 months.

5.4 Where an applicant has signed a Notification of Commitment and has completed their transition to employee ownership, the applicant will be able to submit a claim form for the EOTF grant. Applicants will be required to append a copy of their invoice and the Declaration of Trust confirming the ownership transfer along with their claim form.

5.5 An EOTF grant will only be paid where the Council is satisfied that the claim form, invoice and Declaration of Trust fully meet the scheme's eligibility criteria, as outlined in this document.

5.6 Where an applicant has been successful at the EoI stage but has not completed their transition to employee ownership within 12 months of the Notification of Commitment date, the assigned grant amount will be returned to the total budget for the scheme. Where applicants are able to demonstrate that the ownership transfer process has made significant progress, Council officers may use their professional discretion to authorise an extension.

5.7 All mandatory questions on the EoI and claim forms must be answered. Applications where any mandatory questions are left blank or not completed with relevant information will be automatically rejected.

5.8 The Council reserves the right to request any supplementary information from applicants, and they should look to provide this, where requested, as soon as possible. The Council will suspend an application in the event an applicant fails to provide sufficient requested evidence. If this is not provided within the required timeframe communicated to the applicant in the request, the application may then be rejected.

5.9 An application to the EOTF is deemed to have been made when a duly completed EoI form is received via the Council's inbox: business@eastdevon.gov.uk

6.0 Outcomes

6.1 To ensure that the EOTF is achieving the strategic aims of the Council, EOTF grant recipients will be required to keep track of the following indicators over a five-year period:

- a. Productivity: the gross value added per hour worked or gross value added per worker, per year.
- b. Wages: the median wage for employees, including any bonuses, per year.
- c. Employee turnover: the total number of employees who have left the organisation, as a percentage of the total number of posts, per year.
- d. Staff satisfaction: the percentage of staff responding that they are satisfied or very satisfied (scale of 1 to 5) with their job and work environment, reported annually through an anonymous staff survey.

6.2 Grant recipients of the EOTF will be required to report on these indicators annually to the Council for five years. This will be in addition to an initial baseline year with data collected before the ownership transfer process.

7.0 Subsidy Control

7.1 The UK is bound by both domestic and international commitments regarding subsidy control. This includes compliance with the UK's subsidy control regime established by the Subsidy Control Act 2022 and subsidy obligations set out in the Trade and Cooperation Agreement (TCA) with the EU.

7.2 The Council has a duty to ensure that all grants awarded are compliant with the legislation on subsidy control. The Council expects that most grant awards issued under this scheme will not meet the criteria for a subsidy, as defined in the Subsidy Control Act 2022. However, the subsidy control principles will be considered for every application received. In instances where an EOTF grant may be considered a subsidy, the Council will request additional information from the applicant, which the applicant must provide. The Council reserves the right to reject an application where it believes an EOTF grant award would contravene the UK's obligations on subsidy control, or the Subsidy Act 2022.

8.0 Scheme of Delegation

8.1 The Council has approved this scheme.

8.2 Officers of the Council will administer the scheme to ensure it meets the criteria set by the Council and in line with Government guidance.

8.3 The Council reserves the right to change any element of this scheme at any time. Significant changes will be communicated via the Council's email business bulletins or via updates to our webpages.

9.0 Review of Decisions

9.1 The Council will operate an internal review process but will only accept an applicant's request for a review of its decision relating to an expression of interest submission.

9.2 All such requests for a rejected expression of interest application to be reviewed must be made in writing to the Council within 14 days of the Council's decision. The request must state the specific reasons why the applicant is aggrieved with the decision of the Council and specifically set out how the application is Policy compliant, meeting all the necessary assessment criteria. New information may be submitted at this stage to support the applicant's appeal.

9.3 The application will be reconsidered by a senior officer as soon as practicable, and the applicant informed in writing or by email of the decision. This decision shall be final.

9.4 The Council will not review any rejections where this has been issued due to a lack of remaining funds to award the applicant.

10.0 Complaints

10.1 The Council's 'Complaints Procedure' (available on the Council's website) will be applied in the event of any complaint received about this scheme.

11.0 Taxation

11.1 The Government has confirmed that grant payments funded through the EOTF will be classed as income for tax purposes.

11.2 The Council does not accept any responsibility in relation to an applicant's tax liabilities and all applicants should make their own enquiries to establish any tax position.

12.0 Risk of Fraud

12.1 The Council will not accept deliberate fraud or manipulation of the EOTF and will undertake due diligence and antifraud checks on all applicants to the EOTF.

12.2 Where the Council has reason to believe that the information provided by the applicant during the application process is incomplete or inaccurate, it may withhold or recover any project funding awarded.

12.3 Where any business or individual misrepresents information or contrives to take advantage of the scheme, the Council will look to recover any funding paid and take appropriate legal action. Likewise, if any person is found to have falsified records in order to obtain grant funding.

12.4 It is the responsibility of the applicant to have and keep in place systems to deal with the prevention of fraud and/or administrative malfunction.

12.5 In the event that the employee ownership transition cannot be delivered due to the applicant being a victim of fraud, the Council reserves the right to rescind the Notification of Commitment.

13.0 Recovery of Amounts Incorrectly Paid

13.1 If it is established that any award has been made incorrectly due to error, misrepresentation or incorrect information provided to the Council by an applicant or their representative(s), the Council will take all required action to recover the amount in full.

14.0 Data Protection

14.1 All information and data provided by applicants shall be dealt with in accordance with the Council's Data Protection policy and Privacy Notices which are available on the Council's website.