

POLICY AND RESOURCES COMMITTEE – 12 SEPTEMBER 2022

PART I - DELEGATED

9. COVID-19 ADDITIONAL RELIEF FUND (CARF) SCHEME

1. Summary

- 1.1 This report outlines the Council's proposal for a new NNDR (Business Rates) discretionary relief scheme call the Covid-19 Additional Relief Fund (CARF) scheme. The government scheme requires local authorities to provide an allowance against NNDR liabilities, rather than pay as a grant to businesses.
- 1.2 The Council's proposed scheme will provide relief starting at 1%, increasing to 55% (depending on the business type) against the net 2021/22 NNDR liability of properties that meet the scheme's eligibility criteria (using percentages applied by the government which accounts for the differing severity of Covid-19 on each sector). A final percentage figure will be calculated once the checking of the data extract is complete.
- 1.3 The government have advised that the CARF scheme will operate under Section 47 of the Local Government Finance Act 1988. This section allows the government to implement NNDR changes without having to raise new legislative provisions through Parliament. As Section 47 is technically a discretionary provision, local authorities are required to set up their own local schemes.

2 Background

- 2.1 At the start of the pandemic, a number of rating agents made proposals to the Valuation Office (VOA) to reduce the rateable value of their client's properties on the basis that the effect on businesses caused by the pandemic could be regarded as a Material Change of Circumstances (MCC).
- 2.2 It appeared that the VOA was preparing to accept this argument and was potentially planning to issue rateable value reductions of between 20% and 65% on all different property types, including office and retail properties.
- 2.3 Meetings were held with DLUHC to outline the consequences of such rateable value reductions on the finances of local government. Business rates is a key component of local authority income and are administered through the government's Business Rate Retention scheme. Reductions of the level suggested by the rating agents would have initially required local authorities to set massive rateable value appeal provisions and if the rateable value reductions were subsequently agreed by the VOA would have resulted in there being insufficient income within the system to support local government funding.
- 2.4 The issue was subsequently recognised by central government and a decision was taken that the pandemic should not be regarded as a Material Change of Circumstance (MCC) and therefore the proposed rateable value reductions could not take effect. The government indicated that alongside the requisite legislative change to put this into effect, it would provide a separate national discretionary funding scheme of 1.5B to mitigate the effect on businesses. However the 1.5B funding allocation is, in reality, only a fraction of the reduction in business rate bills that might have been achieved if the MCC rateable value reductions had been allowed by the VOA.

2.5 In late December 2021, the government issued a guidance document regarding the new discretionary scheme entitled “Covid-19 Additional Relief Fund (CARF)”. Alongside the guidance, the government provided the funding allocation for each local authority. Three Rivers Council was allocated £2,006,413.

3. Options and Reasons for Recommendations

3.1 The government guidance outlines that local authorities have discretion to provide NNDR relief (not grants) to businesses in relation to the 2021/22 liability year. The only conditions being that a local authority should:-

- not award relief to businesses that have received Expanded Retail Discount (a NNDR discount covering Retail, Hospitality & Leisure) or which have received the NNDR Nursery Discount within the 2021/22 liability year.
- not award relief to a property for a period it was unoccupied.
- direct support towards ratepayers who have been adversely affected by the pandemic and have been unable to adequately adapt to the impact.

3.2 It is proposed to make the property types in the table below, defined by Valuation Office Analysis Codes, eligible for the Council’s scheme. As well as the property type, the table below shows the proposed reduction percentage for each property type.

Agriculture, Forestry and Fishing -3%
Mining and Quarrying -8%
Manufacturing -9%
Energy -1%
Water and Waste Management 0%
Construction -14%
Wholesale and Retail -8%
Hospitality -55%
Information and Communication -6%
Financial Services -2%
Real Estate Activities -2%
Professional Services -7%
Administrative Services -21%
Public administration -1%
Education -20%
Health-10%

Arts, Entertainment and Recreation - 34%
Other Services -32%
J-N: Information, Communication, Financial Intermediation, Real Estate and Business Services -6%
Transport -32%
Storage and Distribution -1%

- 3.3 It is further proposed that only businesses that have remained in occupation of their property throughout the whole of 2021/22 (i.e. 1/4/21 – 31/3/21) are included within the scheme's eligibility criteria i.e. with no empty periods within the financial year.
- 3.4 It is proposed that the following property types are excluded from the Council's CARF scheme; communication infrastructure i.e. phone masts, advertising board and public telephones, electricity distribution, parish council offices, councils and PCC. Local Authorities, including parish councils, are specifically excluded by Government from receipt of payments.
- 3.5 The government's guidance makes it clear that local authorities can award the relief without an application process. On the assumption that all the business types outlined in 3.2 have been adversely affected by the pandemic in some way, it is proposed to automatically award the relief to all eligible businesses. The Council will at the same time write to each eligible business requiring the business to advise the Council:
- if they have exceeded the Subsidy Control limitation and / or
 - if the business wishes to refuse the relief
- 3.6 This process will allow the Council to ensure that all its available CARF funds are distributed within statutory timescales.
- 3.7 The proposed scheme enables an accurate assessment of the relief to be granted therefore ensuring that our allocated funding is fully utilised and not exceeded (any excess cost would need to be met by the local authority).
- 3.8 As the funds allocated to the council by Government are not sufficient to pay discounts equivalent to the percentages set out in 3.2, it will be necessary to apply a scaling factor – projected to be around 60%. The scaling factor will be set once the list of eligible companies is finalised such that all the allocated funds are used. Any discounts not taken up will provide a pot for any additional awards due to backdated changes in rating values or categories, however, once funding allocation is exhausted, no more CARF allowances will be made under the scheme irrespective of any new eligible claims.
- 3.9 The government guidance advises that Subsidy Control (formerly State Aid) will apply to this relief through the Small Amounts of Financial Assistance Allowance and the Covid-19 Additional Relief Fund Allowance, which in turn means that businesses can receive CARF allowance providing the business has not received more than £2,243,000 in State Aid / Subsidy Control within the last 3 years. Further, a business

that has exceeded this limit could still receive a further £10M if it meets specific Subsidy Control eligibility criteria under Covid-19 Additional Relief Fund Furth Allowance element of Subsidy Control.

- 3.10 The inclusion of all three elements of Subsidy Control mean that it is very unlikely that many, or any, Three Rivers businesses will exceed the Subsidy Control limits, however the guidance advises that we must ask businesses to notify us if the business is in breach of the Subsidy Control limitation i.e. the Council does not need to seek a response from the business confirming Subsidy Control compliance, only if they are in breach of the limitations. This is important for an administrative point of view due to the number of businesses affected. Information on Subsidy Control will be included as a question in the above mentioned letter to the businesses.
- 3.11 It is proposed that there will be no appeal process in relation to the Council's discretionary scheme. Businesses can still apply for NNDR Hardship relief if they are in financial difficulty.
- 3.12 The Council's scheme will not provide CARF allowances to any individual or company that appears on HM Treasury's Sanctions list.

4. Policy/Budget Reference and Implications

- 4.1 None specific.

5. Financial

- 5.1 There are no financial implications for the Council as the relief under the scheme will be fully funded from within the Council's funding allocation £2,006,413.
- 5.2 The administration of the relief will be addressed via the government's Business Rate Retention scheme within their NNDR3 Return. On account Section 31 payments will be provided by the government to protect authorities' cash flow.
- 5.3 New Burdens funding will be provided by central government to support the Council's costs in administering the scheme.

6. Legal Implications

- 6.1 The government has advised that the relief will be granted under Section 47 of the Local Government Finance Act 1988. The use of Section 47 of the Act allows the government to implement the new relief without any new legislation having to be passed.

7. Recommendation

- 7.1 That the scheme as outlined in Section 3 of this report is approved and that any further amendments are delegated to the Director of Finance in consultation with the Lead Member of Resources and Shared Services,
- 7.2 The proposed scheme seeks to support the main categories of business that have not previously received any local authority Covid-19 financial support.

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Data Quality

Data sources: Not applicable