

Lancaster City Council | Report Cover Sheet

Meeting	Cabinet	Date	01.03.2022
Title	Covid-19 Additional Relief Fund (CARF)		
Report of	Head of Shared Service		
Purpose of the Report			
<p>This report seeks approval to implement a Covid-19 Additional Relief Fund to cover a new business rate relief scheme introduced by Government in response to the Covid-19 pandemic. The fund will be used to support those businesses affected by the pandemic but that are ineligible for existing support linked to business rates (such as previous Covid related reliefs).</p> <p>Details of the scheme can be found under Appendix A.</p>			
Key Decision (Y/N)			
	N	Date of Notice	
Exempt (Y/N)		N	

Report Summary

On 25 March 2021 the Government announced a new COVID-19 Additional Relief Fund (CARF) of £1.5 billion to support those businesses affected by the pandemic but that are ineligible for existing support linked to business rates (such as previous Covid related reliefs). The relief is available to reduce chargeable amounts in respect of the 2021/22 financial year and must be directed towards ratepayers who have been adversely affected by the pandemic and have been unable to adequately adapt to that impact.

As the measures are temporary, local authorities are expected to use their existing discretionary relief powers to deliver the scheme. Lancaster has been allocated £2,621,666 and the Government will fully re-imburse local authorities for the local share of the discretionary relief, using a grant under Section 31 of the Local Government Act 2003.

The application process is expected to close on 31 March 2022 and the scheme principles will help determine eligibility at that time, using Local Authority discretionary relief powers under section 47 of the Local Government Finance Act 1988 (as amended) to grant relief.

Recommendations of Councillor Whitehead (Cabinet Member for Finance and Resources)

- (1) That Cabinet approve the use of the proposed COVID-19 Additional Relief Fund (CARF) as detailed in the report, in line with government guidance and available funding; and
- (2) That Cabinet delegate the final allocation of the funding support to businesses to the S151 Officer and Head of Shared Service, in consultation with the Cabinet Member for Finance and Resources.
- (3) That Cabinet authorise the S151 Officer to make final amendments to the policy to accommodate evolving guidance and any technical issues in relation to the scheme and to make all other necessary arrangements for its implementation with immediate effect.

Relationship to Policy Framework

Scheme principles are in line with Council priorities, with the fund:

- supporting existing enterprises at a difficult time in their business journey
- used to benefit local communities
- helping to build a sustainable and just local economy for people and organisations

Conclusion of Impact Assessment(s), where applicable

Climate

Wellbeing & Social Value

Digital

Health & Safety

Equality

Community Safety

In line with Government guidance and its policy document the Council will provide support in the form of additional rate relief to those ratepayers that have suffered during the pandemic but missed out on other business support.

The policy once approved, will provide guidance in determining eligibility and will be incorporated into the Discretionary Rate Relief Policy, which applies equally across the authority.

Details of Consultation

No formal consultation with the public has taken place but officers have consulted with other Lancashire authorities to understand government intentions and share good practice in developing a scheme.

Legal Implications

It is important that the administration of the Scheme by the Authority complies with the requirements within the Government Guidance, and the policy (**Appendix 1**) clarifies how this will be achieved. The proposals also comply with the requirements of s.47 Local Government Finance Act 1988.

Financial Implications

The awarding of this relief will reduce the gross liability and thus the collection fund's income for 2021/22. However, the government will fully reimburse local authorities for their share of the discretionary relief through section 31 grant up to the maximum funding allocation for each billing area. The maximum funding allocation for the Council area is £2,621,666.

The Department for Levelling Up, Housing and Communities has confirmed that it will provide new burdens funding to cover matters such as IT costs, additional staff costs and rebilling. The relief scheme should therefore have an overall neutral financial impact on the Council as long as the total relief awarded does not exceed £2,621,666.

Other Resource or Risk Implications

There are no major resource implications for the Council arising from this report and the risk of any challenge in relation to use of the fund is considered small and manageable.

Section 151 Officer's Comments

The S151 Officer has contributed to this report.

Monitoring Officer's Comments

The Monitoring Officer has been consulted and has no further comments.

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Links to Background Papers	
Business Rate Information Letter (8/2021) – Covid-19 Additional Relief Fund (CARF) BRIL 8-2021 (publishing.service.gov.uk) CARF Guidance Note (15 December 2021): CARF Guidance.docx (publishing.service.gov.uk)	

1.0 Background

- 1.1 Liability for Business Rates is based upon the rateable value of the property. Rateable Values are set by the Valuation Office Agency (VOA) and appear in the Business Rates Rating List and form the basis of the business rate charge. The rateable values are updated at revaluations – the most recent being 2017 when they were based on the rental market on 1 April 2015. The next revaluation is planned for 1 April 2023 with a valuation date of 1 April 2021.
- 1.2 The revaluations ensure that rateable values reflect changes in economic factors, market conditions or changes in the general level of rents. Between revaluations, rateable values can only be changed to reflect ‘material changes of circumstances’ including, for example, physical changes to the property or locality.
- 1.3 Since the start of the pandemic the VOA have received many checks arguing that interventions concerning the use of property (such as requirements to close businesses or maintain social distancing to comply with health and safety legislation) are a material change of circumstances. If successful, there would be a major impact on the level of rateable values across a wide range of properties.
- 1.4 The Government did not believe that the challenges to rateable values and the removal of properties from the rating list was the right mechanism to help businesses that needed support in the pandemic and announced on 25 March 2021 that they would introduce primary legislation with retrospective effect to clarify that Coronavirus and the Government’s response to it are not an appropriate use of the material change of circumstances provision.
- 1.5 On 15 December 2021 the Government introduced the Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Bill confirming that measures brought in because of coronavirus will not be considered as a Material Change of Circumstances (MCC). At the same time the Department for Levelling Up, Housing & Communities released guidance to Local Authorities in administering a new scheme, COVID-19 Additional Relief Fund (CARF) with allocated funding of £1.5 billion.
- 1.6 The fund is made available to support those businesses affected by the pandemic but ineligible for existing support linked to business rates (i.e. Extended Retail Discount and Nursery Discount. Lancaster City Council’s allocation totals ££2,621,666.
- 1.7 It is proposed that the Council issues an invitation to apply for relief to those businesses that they believe may be eligible to apply for CARF. The amount of relief to be awarded should then be determined once all applications and supporting evidence has been received and the scheme has closed, scheduled to be 31 March 2022. Supporting documentary evidence should be submitted as required within one calendar month of it being requested.

- 1.8 It is proposed that the S151 Officer and Head of Shared Service, in consultation with the Cabinet Member for Finance and Resources make an informed decision about the distribution parameters. This will reduce the risk of overspending on the fund and ensure a fair and equitable approach to a maximum allocation at the earliest opportunity.
- 1.9 In awarding CARF for 2021/22, for those most impacted and unable to adapt to that impact, it is hoped to replicate awards provided under the Retail Relief Scheme (100% rate relief for 3 months, 66% rate relief for 9 months) with a cap considered on larger CARF awards, should the need arise. Other eligible businesses that have been impacted, but not to the same degree may receive a % of their rate liability based upon local demand. The guidance note is provided on the following link:
[CARF Guidance.docx \(publishing.service.gov.uk\)](#)
- 1.10 In exceptional circumstances at the discretion of the Council a payment of up to £20,000 may be made towards rate liability.
- 1.11 The Council will hold recovery of 2021/22 arrears to those businesses who have been impacted and are waiting on their CARF application outcome.

2.0 Options and Options Analysis (including risk assessment)

- 2.1 In response to the Covid-19 pandemic the Government allocated funds to local Councils to support businesses financially in the form of business grants and also awarded rating relief for certain business types. e.g. extended retail relief. The aim of CARF is to assist those businesses that do not qualify for assistance but have been affected by the pandemic.

2.2 Option 1 – Agree to the proposal as recommended

The scheme sets out a formal approach to awarding relief and follows government guidance to determine eligibility. The approach adopted seeks to maximise use of funds in an open and equitable way, after the scheme has closed in order to limit the risk of the Council being liable for a large overspend on the fund. The Section 151 Officer, Head of Shared Service will consult with Cabinet Member for Resources to determine a fair and equitable distribution of funds.

2.3 Option 2 – Refuse to access government funds on behalf of affected businesses

The Council would not access CARF funds and no relief would be awarded. Subsequently local businesses that have not previously received help would need to pay more in business rates.

3 OFFICER PREFERRED OPTION AND COMMENTS

- 3.1 It is recommended that Option 1 be approved. The scheme enables a formal approach to eligibility, with criteria in line with Council priorities, offering financial support in the form of rate relief to those businesses that have previously been impacted by Covid-19 but received no financial assistance.

4 CONCLUSION

- 4.1 The proposals as set out are considered a good use of fund to limit the risk of overspend and to achieve the greatest benefit for a range of businesses that have suffered financial hardship during the pandemic.

LANCASTER CITY COUNCIL
COVID-19 ADDITIONAL RELIEF FUND (CARF)

This scheme forms part of the Local Discretionary Rate Relief Scheme, providing the principles upon which the Council will deal with applications for awards against the 2021/22 business rate account, from the Covid -19 Additional Relief Fund. Support will be directed towards ratepayers not in receipt of other reliefs, who have been adversely affected by the pandemic and have been unable to adequately adapt to that impact.

This document sets out the broad framework of principles to be used in decision making for this new scheme covering the financial year 1 April 2021 to 31 March 2022.

SCHEME PRINCIPLES:

The scheme principles provide a framework for eligibility when considering the application, thus providing clarification and guidance to officers. To be eligible for CARF, it is proposed the business must fulfil the following criteria:

- must be registered for Business Rates with Lancaster City Council
- must **not** be eligible for Extended Retail Discount, or Nursery Discount
- the property must have been occupied for the qualifying period (other than if the property was closed temporarily due to Covid-19 restrictions)
- must be able to demonstrate and evidence that the business has been adversely affected by the pandemic and they have been unable to adequately adapt to that impact;
- must **not** be in administration, insolvent or been struck off the Companies House register
- must **not** have exceeded the permitted subsidy control limits

The Scheme will be launched upon approval and the Council will contact all identified ratepayers in scope, to apply for the Covid-19 Additional Relief. Applications to be submitted, with supporting evidence no later than close of business on 31 March 2022.

It is proposed that the amount of relief to be awarded should be determined once all applications and supporting evidence has been received and the scheme has closed, to reduce the risk of overspend. Subject to the number of applications and financial impact of any decision a cap may be considered to limit the amount of relief provided on each individual property.

The relief will be granted using discretionary relief powers under section 47 of the Local Government Finance Act 1988 and successful applicants will be awarded relief as a percentage of the business rates liability for 2021/22, after other discretionary and mandatory reliefs have been granted. Following the allocation of the relief, any credit in the 2021/22 year will either be used to offset outstanding liability from previous years or will be carried forward and offset against the liability for 2022/23.

In exceptional circumstances at the discretion of the Council a payment of up to £20,000 may be made towards rate liability. However, if the relief fund is oversubscribed the Council reserves the right to amend relief levels on a pro-rata basis, based on the applications received and approved as a way of dealing with the situation.

The Council will hold recovery of 2021/22 arrears to those businesses who have been impacted and are waiting on their CARF application outcome.

Where a qualifying ratepayer's 2021/22 rates bill is adjusted for any of the following reasons, the amount of their relief will be adjusted or removed accordingly:

- an amended rateable value in the 2017 rating lists
- the provision of a certificated value for the 2017 rating list or historical change
- the application of any additional rate relief or exemption
- vacation and re-occupation of the property

Applications will not be considered where it is the Council's view that the award of any relief is not in the best interest of the taxpayers of Lancaster City Council, or where businesses are having a detrimental impact on the City, residents, or neighbourhoods, such as where the Council is taking enforcement action against a business for a serious offence.

Ratepayers operating an intermittent occupation tax mitigation / avoidance scheme will not be eligible for relief. Also, telephone masts and advertising rights will be ineligible for this relief.

It is noted that the billing authority cannot grant the relief to itself in line with the legal restrictions in section 47 (8A) of the Local Government Finance Act 1988.

Right of Appeal

In all cases where an organisation disagrees with the Council's decision, an appeal may be made in writing to the Head of Shared Service within one calendar month from the date of the decision

Fraud

The government and Lancaster City Council will not tolerate any business falsifying their records or providing false evidence to gain this % reduction/ including claiming support above the subsidy control limits. A ratepayer who falsely applies for any relief, or provides false information or makes false representation in order to gain relief may be guilty of fraud under the Fraud Act 2006.