



CABINET

Tuesday, 01 February 2022

Subject	Covid-19 Additional Relief Fund Business Rate Reliefs
Report by	Councillor Maurice Cook Cabinet Member with responsibility for Resources Councillor Edward Back Assistant Cabinet Member for Resources
Supporting Officer	Brian Mew Chief Finance Officer and Section 151 Officer Brian.mew@eastsoffolk.gov.uk 01394 444571

Is the report Open or Exempt?	OPEN
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Category of Exempt Information and reason why it is NOT in the public interest to disclose the exempt information.	Not applicable
Wards Affected:	All Wards

Purpose and high-level overview

Purpose of Report:

The purpose of this report is to propose a scheme to the Council for awarding Discretionary Rate Reliefs in 2021/22 to businesses in respect of the Covid-19 Additional Relief Fund (CARF).

Options:

The Government is providing East Suffolk Council with £7,936,728 of Section 31 Grant funding to implement a scheme of discretionary rate reliefs in accordance with Guidance issued in December 2021.

With the assistance of Anglia Revenues Partnership (ARP), a scheme has been modelled utilising the maximum amount of this funding, based on the allocation criteria used for determining the grant allocation as a starting point.

This scheme is an important measure in providing support to businesses affected by the pandemic. Guidance and the allocation methodology and the letter from the Secretary of State provide a clear indication from the Government as to how this support should be targeted. As the scheme is discretionary, the Council could consider implementing a simplified scheme by applying flat rate reliefs across the board. However, this option is not considered to be either wholly compliant with, or in the spirit of the guidance, which clearly states that authorities should “direct their support towards ratepayers who have been adversely affected by the pandemic and have been unable to adequately adapt to that impact.” Consequently, the option of a flat-rate relief has not been proposed.

Recommendation/s:

1. That using its discretionary relief powers under section 47 of the Local Government Finance Act 1988 as amended, and with regard to Government Guidance, the Council approves the award of Covid-19 Additional Relief Fund rate reliefs using the principles outlined in this report and modelled in Appendix B (the Scheme).
2. That authority be delegated to the Chief Finance Officer and Section 151 Officer, in consultation with the Cabinet Member with responsibility for Resources and the Deputy Leader and Cabinet Member with responsibility for Economic Development, to amend the Scheme and implement further awards of relief if necessary, for example as a result of the application of the Subsidy Control rules, to maximise the support provided to businesses within the Section 31 Grant funding provided by the Government.

Corporate Impact Assessment

Governance:

None arising directly from this report.

ESC policies and strategies that directly apply to the proposal:

East Suffolk Strategic Plan

Environmental:

None.
Equalities and Diversity: An Equalities Impact Assessment (EqIA) is not required in respect of these proposals.
Financial: The cost of these CARF rate reliefs will be fully funded by the Government by way of Section 31 Grant. The proposals in this report are intended to maximise the use of this funding as far as possible, whilst ensuring that the Council does not exceed the level of its Section 31 Grant allocation. New Burdens Funding will be provided by the Government to meet the expected reasonable additional costs associated with the implementation of the policy.
Human Resources: None arising directly from this report.
ICT: None arising directly from this report.
Legal: These reliefs will be awarded by the Council using its discretionary relief powers under section 47 of the Local Government Finance Act 1988 as amended.
Risk: None arising directly from this report.

External Consultees:	The Council has liaised with the other partner authorities in the Anglia Revenues Partnership (ARP) in the design of the CARF scheme.
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Strategic Plan Priorities

Select the priorities of the Strategic Plan which are supported by this proposal: <i>(Select only one primary and as many secondary as appropriate)</i>		Primary priority	Secondary priorities
T01	Growing our Economy		
P01	Build the right environment for East Suffolk	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P02	Attract and stimulate inward investment	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P03	Maximise and grow the unique selling points of East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P04	Business partnerships	<input checked="" type="checkbox"/>	<input type="checkbox"/>
P05	Support and deliver infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
T02	Enabling our Communities		
P06	Community Partnerships	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P07	Taking positive action on what matters most	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P08	Maximising health, well-being and safety in our District	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P09	Community Pride	<input type="checkbox"/>	<input type="checkbox"/>

T03	Maintaining Financial Sustainability		
P10	Organisational design and streamlining services	<input type="checkbox"/>	<input type="checkbox"/>
P11	Making best use of and investing in our assets	<input type="checkbox"/>	<input type="checkbox"/>
P12	Being commercially astute	<input type="checkbox"/>	<input type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input type="checkbox"/>	<input type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input type="checkbox"/>
T04	Delivering Digital Transformation		
P15	Digital by default	<input type="checkbox"/>	<input type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input type="checkbox"/>
P17	Effective use of data	<input type="checkbox"/>	<input type="checkbox"/>
P18	Skills and training	<input type="checkbox"/>	<input type="checkbox"/>
P19	District-wide digital infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
T05	Caring for our Environment		
P20	Lead by example	<input type="checkbox"/>	<input type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input type="checkbox"/>
P23	Protection, education and influence	<input type="checkbox"/>	<input type="checkbox"/>
XXX	Governance		
XXX	How ESC governs itself as an authority	<input type="checkbox"/>	<input checked="" type="checkbox"/>
How does this proposal support the priorities selected?			
The Covid-19 Additional Relief Fund will provide invaluable support to those businesses affected by the pandemic but which are ineligible for existing support linked to business rates, which will contribute directly to the Strategic Plan theme of Growing our Economy.			

Background and Justification for Recommendation

1 Background facts	
1.1	One of the biggest concerns for both the Government and local authorities in respect of the local government finance impacts of the Covid-19 pandemic has concerned the potential impact of Material Change of Circumstances (MCC) appeals on business rates income. Appeals are where businesses challenge the valuation of their premises by the Valuation Office Agency on various grounds. The concern has been that businesses would make appeals on the basis that Covid-19 restrictions were Material Changes of Circumstances, resulting in, e.g., under-occupation of offices, reduced trade, etc. If this position had been adopted by the VOA, very large reductions would have been seen in the rateable values of business premises, with corresponding reductions in business rates income to both the Government and local authorities themselves. It was generally acknowledged that MCC appeals at the scale that was expected would have destabilised the entire business rates system for many years.
1.2	The Government consequently introduced legislation preventing Coronavirus from ever being considered as a material change of circumstances for rating purposes. The Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Act 2021 received Royal assent on 15 December 2021 and came into force with immediate effect.

1.3	Recognising that businesses affected by the pandemic, and not in receipt of other reliefs or support, would not be able to pursue MCC appeals as a way of reducing their rates bills, the Government announced on 25 March 2021 that local authorities would be allocated a share of a new £1.5bn grant that can be used to support those local businesses most affected by the pandemic. The grant would be an “extra, targeted support package” for those businesses who did not benefit from the expanded retail discount.
1.4	This £1.5bn funding pot is now known as COVID-19 Additional Relief Fund (CARF), and will allow billing authorities to provide relief to ratepayers most affected by Covid-19. The release of this fund and the ability to set up schemes and award reliefs were dependent on the legislation referred to above being passed. Consequently, although this has coincided with the increased prevalence of the Omicron Covid-19 variant, and new support to the retail, hospitality and leisure sector, CARF is essentially a retrospective support measure that is unrelated to the current situation. It should be noted that it excludes those retail, hospitality, and leisure businesses that have already been receiving reliefs and which will be the recipients of a new round of business support grants. The Government is providing East Suffolk Council with an allocation of £7,936,728 of Section 31 Grant funding.

2 Current position

2.1	Local Authority Guidance on CARF has now been issued and is attached as Appendix A. The Guidance outlines the basis of grant allocation to billing authorities, and the allocation methodology uses the change in Gross Value Added (GVA) from March 2020 to March 2021 as a proxy for the economic impacts of COVID-19 on each business sector.
2.2	<p>As stated in the Guidance, billing authorities will be responsible for designing the discretionary relief schemes that are to operate in their areas, and must:</p> <ul style="list-style-type: none"> - a. not award relief to ratepayers who for the same period of the relief either are or would have been eligible for the Extended Retail Discount (covering Retail, Hospitality and Leisure), the Nursery Discount or the Airport and Ground Operations Support Scheme (AGOSS) - b. not award relief to a hereditament for a period when it is unoccupied (other than hereditaments which have become closed temporarily due to the government’s advice on COVID-19, which should be treated as occupied for the purposes of this relief) - c. direct their support towards ratepayers who have been adversely affected by the pandemic and have been unable to adequately adapt to that impact.
2.3	The relief will be granted using discretionary relief powers under section 47 of the Local Government Finance Act 1988 and is available to reduce chargeable amounts in respect of 2021/22. Whilst technically the Council has six months after the year end to award these reliefs, ideally the Council should aim to award these reliefs by the end of March to prevent additional accounting adjustments being required and by the end of April for Government return reasons. There is also a degree of urgency with the implementation of these reliefs as referred to below.

2.4	<p>The Secretary of State wrote to local authorities on 22 December 2021 regarding Local Government Support for Covid-19 Response (copy attached as Appendix C). In respect of CARF, the letter states the following:</p> <p><i>“Last week my department confirmed funding for the business rates COVID-19 Additional Relief Fund and published guidance for local authorities who will be delivering the relief. This £1.5bn scheme will provide vital support to businesses affected by COVID-19 but not eligible for existing support linked to business rates. The funding we have provided is substantial and the methodology adopted for distribution should ensure that money reaches the areas where it is needed most.”</i></p> <p><i>“Being close to those impacted by COVID-19, you will know how important it is that the support reaches ratepayers as quickly as possible. Therefore, I would welcome your support in ensuring that this funding reaches those that need support swiftly. In the case of the Additional Relief Fund, I know that local authorities must devise and approve their own local relief schemes. In normal times this is a process which can take weeks but for some businesses that may be too late. I would like councils to consider what steps you can take to streamline the approval and delivery process for this relief <u>urgently</u>.</i></p>
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3 How to address current situation

3.1	<p>It is considered by officers that the Guidance, the allocation methodology, and the letter from the Secretary of State provide a clear indication from the Government as to how this support should be targeted. It is important to note that this methodology reflects estimated reductions in GVA in 2020/21 and not the situation in recent weeks, and that, as referred to in the Background information, these reliefs are expressly linked to providing support to businesses that would have otherwise submitted MCC appeals. With the assistance of Anglia Revenues Partnership (ARP) a scheme has been modelled using the grant allocation methodology as a basis and applying this to eligible business rates premises in East Suffolk.</p>
3.2	<p>The results of this modelling in terms of allocations of relief by sector are shown in Appendix B. This shows the proposed level of CARF relief for each business sector in line with the GVA reductions according to the first level Standard Industrial Classification (SIC) as a first phase of allocations. The modelling indicates that within the Council’s allocation, a second phase of reliefs can be granted to supplement the GVA reductions used as the initial basis for allocation. This potential second phase of reliefs, using the same methodology, is also shown in Appendix B.</p>
3.3	<p>In practice, individual businesses may not necessarily be awarded the amounts of relief indicated by the modelling for a variety of reasons outside of the control of the council, for example, Subsidy Control, etc. It should also be noted that this scheme is a relief scheme reducing business rate bills for 2021/22, not a grant scheme. Consequently, businesses could reach a position where the maximum amount of relief has been awarded, i.e. their bills have been reduced to nil.</p>
3.4	<p>For East Suffolk, Subsidy Control is a particularly important factor that necessitates a phased approach, and which could significantly affect the amount available for distribution in a subsequent round(s) of allocations. The use of the guidance as a</p>

	starting point for calculating the reliefs in Appendix B indicates a very large level of relief to one large hereditament (included in the Transport sector in Appendix B). There is the possibility that all or part of this particular relief might not be awarded due to Subsidy Control rules. If this was the case, there would be more funding available to uplift allocations to all other cases. i.e. the second allocation would be (potentially) much higher than indicated in Appendix B. If possible, the Subsidy Control position in respect of this particular business will be established as soon as possible, enabling implementation of a second phase of reliefs to be implemented quickly. At this stage the potential second phase of reliefs is shown in Appendix B on the assumption that relief <u>will</u> be awarded to this particular business.
3.5	For the reasons outlined in the preceding paragraphs it is possible that further iterations of these allocations may be necessary to maximise the use of this funding. This report recommends that the Chief Finance Officer, in consultation with the Cabinet Member with responsibility for Resources and the Deputy Leader and Cabinet Member with responsibility for Economic Development, be granted delegated authority to make any further amendments necessary to the scheme with the objective of ensuring that the maximum amount of Section 31 Grant possible is utilised to provide support to affected businesses, whilst ensuring that the Council does not exceed the level of its Section 31 Grant allocation.
3.6	The proposed scheme will be written up into a scheme document to be posted on the Council's website, including details of the application process and timescales. As part of this it is proposed that appeals regarding the award of reliefs will be considered by the Head of the Anglia Revenues Partnership and / or the Chief Finance Officer, depending on value, in line with the Council's existing Discretionary Rate Relief scheme.

4 Reason/s for recommendation

4.1	To approve a scheme for awarding Discretionary Rate Reliefs to businesses in respect of the Covid-19 Additional Relief Fund, and to maximise the use of available grant funding to provide these reliefs.
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Appendices

Appendices:

Appendix A	COVID-19 Additional Relief Fund (CARF): Local Authority Guidance
Appendix B	East Suffolk Council Covid-19 Additional Relief Fund Discretionary Rate Reliefs – Initial Modelling of Allocations by Sector
Appendix C	DLUHC Letter on COVID-19 Support to Local Authorities

Background reference papers:

None.