

**Name of meeting:** Cabinet  
**Date:** 5<sup>th</sup> April 2022  
**Title of report:** COVID-19 Additional Relief Fund

**Purpose of report:**

This report seeks approval for the Council to establish the COVID-19 Additional Relief Fund business rates relief scheme in Kirklees, for the 2021/22 financial year only. The scheme will provide retrospective rates relief for businesses in sectors that have been impacted by the pandemic but are ineligible for the Expanded Retail Discount, Nursery Discount or other national rate relief schemes that have been established by the Government.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Yes
Key Decision - Is it in the <u>Council's Forward Plan (key decisions and private reports)?</u>	Key Decision - Yes  Private Report/Private Appendix - No
The Decision - Is it eligible for call in by Scrutiny?	Yes
Date signed off by <u>Strategic Director</u> & name	David Shepherd – 18 March 2022
Is it also signed off by the Service Director for Finance?	Eamonn Croston – 18 March 2022
Is it also signed off by the Service Director for Legal Governance and Commissioning?	Julie Muscroft – 28 March 2022
Cabinet member <u>portfolio</u>	Councillor Paul Davies – Portfolio Holder for Corporate

**Electoral wards affected:** All wards

**Ward councillors consulted:** Ward councillors have not been consulted as a result of the need to establish the scheme as soon as possible.

**Public or private:** Public.

**Has GDPR been considered?** Yes.

## 1. Summary

- 1.1 The Government has established the COVID-19 Additional Relief Fund (CARF) to provide retrospective business rates relief for the 2021/22 financial year for those businesses that have been impacted by the pandemic but are ineligible for the Expanded Retail Discount or other Government rate relief schemes. The scheme will operate on a discretionary basis with local eligibility criteria to be agreed by the Council, within the framework of guidance set by Government.
- 1.2 £7,361,465 has been allocated for businesses in Kirklees. This report seeks Cabinet approval to establish the scheme, including the eligibility criteria for applicants and the amounts of rate relief to be awarded.

## 2. Information required to take a decision

### Background

#### *Context*

- 2.1 The Council has now distributed over £175m of COVID-19 grants to businesses across Kirklees since the start of the pandemic. In addition, Kirklees businesses that pay business rates in the retail, hospitality, leisure and visitor accommodation sectors have been awarded rate relief through the Government's Expanded Retail Discount scheme. This provided 100% rate relief during 2020/21 and 75% for 2021/22. For 2022/23, the Retail, Hospitality and Leisure Business Rates scheme will provide eligible businesses with 50% rate relief – considered and approved by Cabinet as part of the Council Annual Budget Report for 2022/23. The Nursery Discount has operated on a similar basis over this period for Ofsted-registered providers of early years childcare.
- 2.2 During the earlier phases of the pandemic, many businesses sought to pursue the revaluation of their premises through the Valuation Office Agency, citing the impact of COVID-19 restrictions on property values and consequently their business rates liability. The Government has argued that the pandemic should not be considered a Material Change of Circumstances (MCC) for the purposes of business rates and subsequently introduced new legislation – the Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Act 2021 – to facilitate this.
- 2.3 Alongside these legislative changes, the Government announced the COVID-19 Additional Relief Fund to extend support for businesses affected by the pandemic but ineligible for the Expanded Retail Discount or Nursery Discount. £1.5bn has been allocated for the scheme in England for the 2021/22 financial year. Local authority guidance for the scheme was published on 15<sup>th</sup> December 2021, when the above legislation received Royal Assent.

#### *COVID-19 Additional Relief Fund: scheme guidance*

- 2.4 Government guidance notes that local authorities will use discretionary relief powers under section 47 of the Local Government Finance Act 1988 to implement the COVID-19 Additional Relief Fund. The Government has given Councils the discretion to agree the detailed eligibility criteria and priority sectors for support and to determine the level of relief for individual hereditaments, within the framework of the scheme guidance.
- 2.5 Guidance notes that the relief is available for the 2021/22 financial year only and must be fully committed (i.e., allocated to ratepayer's accounts) by 30<sup>th</sup> September 2022. Local authorities may not grant the discount to themselves, in line with section 47(8A) of the Local Government Finance Act 1988. Guidance further states that local authorities must:
  - not award relief to ratepayers who for the same period of the relief would have been eligible for the Extended Retail Discount, the Nursery Discount or the Airport and Ground Operations Support Scheme (AGOSS);

- 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 the relief), and
- direct their support towards ratepayers who have been adversely affected by the pandemic and have been unable to adequately adapt to that impact; this is an important feature of the scheme, requiring Council's to seek evidence of the economic impact of the pandemic from businesses applying for the relief.

#### *The Kirklees CARF scheme*

2.6 In accord with Government guidance, the proposed Kirklees CARF scheme will target those businesses "*adversely affected by the Pandemic and unable to adapt to its impact*" whilst also ineligible for the Expanded Retail Discount, Nursery Discount or airport rate relief schemes that are in place for 2021/22. The Council's assessment of need is based on its extensive experience of administering COVID business grant schemes since the start of the pandemic, including the discretionary Additional Restrictions Grant scheme. It is proposed to prioritise businesses in the following sectors for support:

- suppliers or service providers to the retail/hospitality/leisure industries
- events and exhibition sector and its supply chain
- travel sector
- car parks operating on a commercial basis (excluding residential)
- manufacturing/engineering sectors
- hereditaments which are heavily reliant on social mixing and providing in person services.

2.7 It is proposed to target small and medium sized enterprises rather than the district's largest employers to ensure the scheme benefits as many rate-paying businesses as possible. To achieve this, and to ensure the affordability of the scheme, businesses with a rateable value (RV) of more than £141,000 will not be eligible for support. Whilst this will exclude a limited number of businesses with higher rateable values, typically those businesses are more likely to be financially robust and less likely to require rate relief support.

2.8 Ensuring parity between the reliefs available through CARF and the existing Government rate reliefs already in place for the retail, hospitality and nursery sectors is also a priority for the Council. As such, the Kirklees CARF scheme will award 75% relief against the 2021/22 business rates bills of eligible businesses, mirroring the relief available through the Expanded Retail Discount and Nursery Discount schemes.

2.9 Businesses will be required to apply for the relief via a simple online application process. Applicants will need to provide evidence of a trading loss of at least 20%, based on a comparison of their 2019/20 (pre-pandemic) and 2021/22 company accounts. The eligibility criteria for the Kirklees scheme will also include:

- businesses applying must have been in occupation of their premises and trading or providing a service during the period 1 April 21 to 31 March 2022
- businesses must be registered with the Council for business rates before 1 March 2022, and be liable for the payment of business rates
- the amount of rate relief to be awarded will be based solely upon the RV in the rating list on 31 March 2022. The impact of any changes made to the RV before or after this date will not be considered

2.10 The following will not be eligible for support through the Kirklees CARF scheme:

- businesses that have received 100% rate relief during 2021/22 through other relief schemes – e.g., via Small Business Rate Relief or Rural Rate Relief
- businesses with an RV of more than £141,000
- public sector bodies such as Fire, Police, NHS and schools
- businesses that will breach Government subsidy limits if relief were to be awarded

- national chains, advert rights, telecommunication masts and residential parking spaces
- businesses where the property was empty or exempt or had no rates bill to pay during all of 2021/22 (*businesses that were in occupation and were trading or providing a service for part of the year may be eligible in respect of those periods only*)
- businesses subject to any form of insolvency action already started or pending, including a proposal to strike off.

2.11 The balance of any resulting credit will be applied to any outstanding balance on the businesses business rate account for 2021/22 and thereafter to offset any payments due in respect of 2022/23. If a business no longer holds liability any final credit balance will be refunded as appropriate.

### **Options**

2.12 The Council could have chosen to make the scheme open to a much wider range of businesses or with eligibility criteria that are not in accord with Government guidance. This would generate potential reputational and financial risks for the Council as demand for the rate reliefs could be substantially greater than the funding available from Government. Failure to comply with Government guidance would place the Council at risk of financial clawback in the event that the Council awarded funding to ineligible businesses, with related reputational risk.

2.13 The proposals will ensure that many small and medium-sized enterprises (SMEs) impacted by the pandemic but ineligible for other rate relief schemes will gain access to further financial support through a locally administered/discretionary rate relief scheme. In the event that there are unallocated funds or additional resource is made available by Government, the Council will consider widening the range of organisations that can apply.

### **Costs**

2.14 The Government has allocated £7,361,465 for the CARF rate relief scheme in Kirklees. The Government will fully reimburse local authorities for discretionary relief awards which comply with its scheme guidance up to this amount.

2.15 Council officers will manage the scheme to ensure that only eligible businesses apply and that appropriate evidence is provided by applicants. The operation of the scheme will be subject to regular review by the Council's Section 151 Officer.

2.16 The scheme will operate through an application process and the Council will undertake proportionate pre-payment checks to confirm eligibility in relation to the criteria set out in this report. The Council will also undertake appropriate pre-and post-payment checks to manage the risk of fraud. Any funding issued by the Council will be subject to clawback, alongside any reliefs awarded paid in error.

### **Expected impact/outcome/benefits**

2.17 Provision of discretionary business rate relief will further mitigate the financial impact on businesses of the pandemic, building on the support already provided through COVID business grants, the Coronavirus Job Retention Scheme and other Government initiatives. Implementing the scheme will extend access to rate relief to a wider range of sectors/ businesses and will assist Kirklees SMEs to strengthen their financial resilience and be well placed to support the economic recovery.

### **Risks**

2.18 There are a number of risks associated with the scheme, including:

- applicants from ineligible sectors may apply for the reliefs or may be unable to provide sufficient evidence of the economic impact of the pandemic on their business
- need/demand may outstrip the funding available

- reputational risks for the Council in relation to the amount of relief available or the priority sectors identified for support.

2.19 These risks will be managed and mitigated through the operation of the rate relief scheme. Council Officers will put in place appropriate mechanisms to ensure that only eligible businesses are supported, and suitable evidence of economic impact is provided. The scheme will be open for applications for a defined period to be agreed. It is considered that the positive reputational benefits of providing access to financial support for the affected businesses who are to be targeted by the scheme outweigh the negative reputational impacts of the proposals.

### **3. Implications for the Council**

#### **Working with people**

3.1 The proposals will support the Council's efforts to work together with people and communities to find shared solutions. The Council has drawn on learning from the implementation of the various Government grant support schemes and this will inform delivery of the CARF scheme. The operation of the scheme will be kept under regular review in response to business feedback.

#### **Working with Partners**

3.2 The COVID-19 Additional Relief Fund has been developed by the Government in response to feedback from business organisations and other groups. The Council will work with local partners to publicise the scheme and target eligible applicants.

#### **Place Based Working**

3.3 The scheme will support those businesses that have been unable to secure COVID rate relief support to date, including those in some of the area's most deprived communities. Ward Councillors will be fully engaged in the process to encourage eligible businesses to apply for support.

#### **Climate Change and Air Quality**

3.4 The CARF scheme will provide rate relief to those SMEs that have been most affected by COVID-19 and support their financial resilience and increase the availability of working capital. This will enable some businesses to choose to invest in energy efficiency and renewable energy solutions which will reduce emissions and contribute to efforts to make Kirklees carbon neutral by 2038.

#### **Other (legal/financial/human resources)**

3.5 Financial matters are addressed in section 2 of the report. The Council will be required to provide regular reports to the Department for Levelling Up, Housing and Communities on the implementation of the scheme.

3.6 The scheme will be operated in accord with Subsidy Allowance guidance. It is anticipated that most applicants will be awarded relief based on the Small Amounts of Financial Assistance Allowance which allows provision of up to 325,000 Special Drawing Rights (currently worth just over £340,000) over a three-year period. Where the Small Amounts of Financial Assistance Allowance has been breached, additional relief may be awarded under the COVID-19 Additional Relief Fund Allowance up to a further £1,900,000 for COVID-19 related losses. If these Subsidy Allowance limits are reached, further relief up to £10 million may be available through the COVID-19 Additional Relief Fund Further Allowance.

3.7 The proposed rate relief scheme will be administered by Council officers from the Business, Economy & Growth and Welfare & Exchequer services. Sufficient officer capacity has been allocated to ensure the scheme can be implemented quickly.

3.8 A Stage 1 Integrated Impact Assessment (IIA) has been undertaken for the proposals.

#### **4. Consultees and their opinions**

- 4.1 Engagement with regional/local business groups and other stakeholders will continue as the scheme is implemented.

#### **5. Next steps and timelines**

- 5.1 Subject to approval, the COVID-19 Additional Relief Fund scheme will be launched as soon as practicable following the Cabinet meeting on 5 April with applications expected to remain open for an initial six week period. The Council will work with key local partners to publicise the scheme and target eligible applicants.
- 5.2 The Council will publish detailed scheme guidance and application forms on its website as soon as the scheme is launched. The Council will put in place a streamlined process to ensure the rapid turnaround of applications for support.
- 5.3 The Council will keep the operation of the scheme under review, including the period during which it will be open for applications.

#### **6. Officer recommendations and reasons**

1. Cabinet notes the content of this report and approves the establishment of the COVID-19 Additional Relief Fund, including the proposed eligibility criteria for applicants and the amounts of rate relief to be awarded set out in section 2 of the report.
2. Cabinet delegates authority for implementation and monitoring of the COVID-19 Additional Relief Fund scheme to the Strategic Director Growth and Regeneration and the Service Director Finance
3. Cabinet delegates authority to the Strategic Director Growth and Regeneration and the Service Director (Finance), in consultation with the Portfolio Holder for Corporate, to vary the eligibility criteria for the COVID-19 Additional Relief Fund and to make further changes to the scheme as required to ensure equity and achievement of the objectives noted above.

#### **Reasons**

1. To enable Cabinet to approve the COVID-19 Additional Relief Fund scheme for Kirklees to extend financial support available to those businesses that are ineligible for other Government COVID-19 rate relief programmes as soon as practicable.
2. To enable rapid and efficient implementation of the rate relief scheme in accordance with the scheme of delegations.
3. To enable the identification and implementation of additional measures, where required, to complement the approved rate relief scheme, in accordance with the scheme of delegations.

#### **7. Cabinet Portfolio Holder's recommendations**

The Cabinet Portfolio Holder supports the recommendations, which have been developed to ensure local businesses can access the rate relief scheme as soon as practicable.

#### **8. Contact officer**

Chris Duffill, Head of Business, Economy & Growth [chris.duffill@kirklees.gov.uk](mailto:chris.duffill@kirklees.gov.uk) 01484 221000.

**9. Background Papers and History of Decisions**

COVID-19 Additional Relief Fund guidance –

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1041468/CARF\\_LA\\_Guidance.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1041468/CARF_LA_Guidance.pdf)

**10. Service Director responsible**

Edward Highfield, Service Director Skills and Regeneration

Eamonn Croston, Service Director Finance.