Covid-19 Additional Relief Fund (CARF)

RBK Discretionary relief scheme

Guidance

In the budget statement 25 March 2021 the Government announced a new COVI-19 Additional Relief Fund (CARF). The department for Business and Industrial Strategy (BEIS) issued guidance 30/12/21 for Council's to develop their own discretionary rate relief scheme to assist ratepayers who have suffered a loss of amenity to their rated property during the COVID19 pandemic. The latest version of this guidance can be found at Annex A. The government recently published their FAQ's as part of their Business Rates Information Letter (BRIL 4 March 2022) Annex B. The Council was also notified of our allocation of the £1.5B fund. Kingston Council's allocation of £4,954,012 (Annex C).

Background

Many ratepayers were lodging valuation appeals with the Valuation Office Agency requesting that their rateable values should be reassessed because they had suffered a Material Change in Circumstances (MCC) resulting from loss of amenity regarding their property resulting from the Covid19 pandemic. The Government ruled that these were not admissible and any changes in value should only be taken into account from the date of the next general revaluation (April 2023). In lieu of this decision the Government has set aside a fund for Councils to use to devise their own discretionary rate relief scheme to reduce the rate liability for this group of ratepayers, who have not yet been assisted by other rate relief schemes (like the retail, hospitality & leisure discount).

Typically most office buildings have been severely impacted because most office based staff have been and continue to work from home. The scheme excludes offices used for public administration. Likewise car parks and non-domestic parking spaces stood mainly unused during the lockdown periods and could not be awarded other reliefs. The list of affected property goes on to include business units, factories and workshops. The BEIS guidance shows that the government has analysed nationally; average negative GVA (reductions in Gross Value Added) resulting from the pandemic sector by sector.

Outline detail

The Government is not changing the legislation relating to the business rates reliefs available to properties. Instead, the Government will, in line with the eligibility criteria set out in the guidance, reimburse local authorities where relief is granted using discretionary relief powers under section 47 of the Local Government Finance Act 1988. It will be for individual billing authorities to adopt a local scheme and determine in each individual case whether, having regard to this guidance and their own local scheme, to grant relief under section 47. The relief is available to reduce chargeable amounts in respect of 2021/22.

Billing authorities will be responsible for designing the discretionary relief schemes that are to operate in their areas. However, in developing and implementing their schemes local authorities must, if they are funding the relief from the section 31 grant:

> 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), and

c). direct their support towards ratepayers who have been adversely affected by the pandemic and have been unable to adequately adapt to that impact.

The relief should be applied after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied.

Early Modelling

When the Council was advised of its £4.9m funding we did some modelling based on the government's GVA figures for each property sector. This shows that if we gave the suggested percentage relief matching the GVA loss to each qualifying property that this would result in spending of £4,064,878. This would result in an underspend of £789k. If we adopted the early model, then just over 2000 would qualify. This is about 45% of all properties in the rating list.

A summary of this model is presented below:

	government suggested GVA % reduction									
Property Description	0	1	2	6	8	9	10	20	32	Total
Advertising Right & Premises				172						172
Bank			23							23
Betting Shop				15						15
Bus Station									2	2
Business Unit (Industrial)						32				32
Car Park & parking spaces									75	75
College								4		4
Communication Station				73						73
Community Centre							8			8
Computer Centre				1						1
Concrete Batching Plant						1				1
Day Nursery & Premises								12		12
Factory						20				20
Health Centre & Premises							9			9
Hospital							3			3
Land Used For Storage		12								12
Launderette	1									1
Offices & Premises				1002						1002
Public Telephone Kiosk				15						15
School								46		46
School (Private)								16		16
Store & Premises		106								106
Surgery & Premises							69			69
Unclassified *		1		1				1	1	4
Unclassified Mineral					1					1
University & Premises								5		5

Warehouse		164								164
Workshop & Premises						131				131
Total	**1**	**283**	**27**	**1279**	**1**	**184**	**89**	**84**	**78**	**2022**

Adjustment to government model

Some of the properties in the government model would only get a 1 or 2 percent reduction. This would include 23 banks, 12 plots of land used for storage, 106 storage units 1% and 164 warehouses 1%. It would seem reasonable to exclude these sectors from the scheme, rather than award them a very small reduction.

Model 2 looks like this:

	discretionary suggested % reduction		
Property Description	0	30	Grand Total
Advertising Right & Premises	172		172
Bank	23		23
Betting Shop	15		15
Bus Station		2	2
Business Unit (Industrial)		32	32
Car Park & parking spaces		35	75
College	4		4
Communication Station	73		73
Community Centre	8		8
Computer Centre		1	1
Concrete Batching Plant		1	1
Day Nursery & Premises	12		12
Factory		20	20
Health Centre & Premises	9		9
Hospital	3		3
Land Used For Storage	12		12
Launderette	1		1
Offices & Premises		1002	1002
Public Telephone Kiosk	15		15
School	46		46
School (Private)	16		16
Store & Premises	106		106
Surgery & Premises	69		69
Unclassified *	2	2	4
Mineral Depot & Premises		1	1
University & Premises	5		5
Warehouse	155		155
Warehouse, Office And Premises	9		9
Workshop & Premises		131	131
Grand Total	**758**	**1267**	**2022**

*Unclassified - qualifying hereditaments: kennels & airstrip, excluded hereditaments: sorting office & school.

Model 2 also excludes sectors that have suffered a modest GVA loss of 6% includes 172 advertising rights, 73 phone masts, 15 phone kiosks. We might decide to exclude these groups from the scheme so that more relief can be offered to other sectors. None of the property in these sectors have staff working permanently on site and for this reason it might seem appropriate to exclude them from the discretionary scheme.

There are 15 Betting shops in this list where the government statistics show a GVA loss of 6%. Betting shops were not excluded from the retail, hospitality & leisure relief scheme and so should be excluded from this discretionary scheme.

If we exclude all of the above property sectors from the scheme then the cost of the scheme based on the government GVA figures reduces to £1,649,811. This frees up £3.2m to distribute to the remaining sectors.

This model shows that hypothetically all reductions could be uplifted to 30% based on the assumption that all ratepayers within these sectors qualify.

Factors not included in the analysis

There will be some moderation to the total relief awarded because of some ratepayers getting other reductions. Other reductions include Small Business Rate Relief, Charity Relief, and other Discretionary Reliefs. Also, some ratepayers will decline the reduction because of UK International Subsidy rules (formerly State Aid - See Annex A). UK Subsidy rules limit ratepayers to a maximum total of reliefs and grants that must not exceed £12,235,000. This excludes many very large businesses like telecommunications companies etc.

If we get claims for CARF from ratepayers who use their property for different purposes than those described in their official property description, we ought to be able to still make additional awards if the effect of the other reliefs described above reduce the overall spend.

Approach

The Council will invite any business that pays business rates and that has not received or is eligible to receive Extended Retail Discount (covering Retail, Hospitality and Leisure) or Nursery Discount to make an application if they meet the criteria.

There will be a 21 days application window

Businesses will have to detail and where appropriate evidence that they have been adversely affected by the pandemic and have been unable to adequately adapt to that impact.

Evidence will be required to validate the claim. This information will include, bank details for the business, evidence of trading, evidence or declaration that the business has been adversely affected by the pandemic and have been unable to adapt

Businesses will be required to confirm that they meet the criteria of the scheme, and that the amount of relief is not in excess of the Subsidy Control Arrangements.

There will be pre and post payment checks undertaken.

Level of relief

The level of relief cannot be determined until all applications have been reviewed and approved.

To determine the value of relief the following calculation will be made.

The rateable values (RV) of all successful applications will be totalled. The funding available will then be divided by the total of the RV to determine the percentage reduction based on the rateable value.

Examples,

Total RV of all successful applications £33,000,000 *
Funding available £4,954,012

RV = £33,000,000 x poundage (£0.499) = £16,467,000
% reduction is £4,954,012 / £16,467,000 x 100 = 30% (rounded)

(Note: the standard poundage £0.512 and small business multiplier is £0.499)

The % reduction will be based on the rateable value. If the RV of a business is £30,000 they will receive relief of 30% of the rateable value x poundage (0.499)

£45,000 x 0.499 x 30% = £6,736.50

The relief will be calculated after all other statutory reliefs have been applied and the relief will be capped where the business rates bill is reduced to zero. The award of relief will not generate a negative balance payable.

All reliefs will be allocated to the 2021/22 rates bill. If after the relief is awarded the balance for the year is in credit due to payments having been made, this credit will be transferred to the 2022/23 bill and instalments recalculated.

Based on this methodology and model two the grants offered will be somewhere between 30% and 100% depending on uptake.

Refunds will not be issued as a result of this process. Credits will typically be offset against 2022/2023 rate liabilities.

Variations in entitlement

Initially, relief will be awarded with a ceiling threshold of 30%. Before the scheme closes on 30 September 2022 this limit will be reviewed, with the view to increasing relief subject to the take up of the scheme. This is with the aim to maximise the allocation of funds provided for the scheme. Any CARF relief applied in conjunction with other rate relief entitlements, will not exceed a 100% rate relief reduction.

The Council reserves the right to amend this scheme and will either reduce or increase the level of relief awarded depending on demand - (or words to that effect)

Additional Information

If a business pays business rates on more than one Kingston Council property they can apply for all business premises

Businesses that do not pay business rates can not apply

Exclusions from the CALF scheme

Businesses that are in administration, are insolvent, struck off or where a striking-off notice has been made are not eligible for funding under these schemes

Businesses that cannot detail and where appropriate evidence that they have been adversely affected by the pandemic and have been unable to adequately adapt to that impact.

Decision making

If the information requested is not provided, after working with the applicants, the application will be refused.

Decisions on applications and awards will be made by the Head of Revenues and Benefits

The Executive Director of Corporate & Communities & Assistant Director of Finance SFS will oversee the process.

The applicant will be notified of the decision by email and will receive a revised business rates bill if successful.
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The progress and results from the scheme will be reported to BEIS and successful applicants may be published on our website.

Under Regulation 47 rules for discretionary relief, we have until 30 September 2022 to administer this relief which relates to 2021/22.

Appeals

Kingston Council is not required to provide a right of appeal against any decision as this is because grants awarded under the Additional Restrictions Grant scheme are discretionary awards.

However, Kingston Council will work with applicants to make sure they provide the necessary evidence to support a successful application.

The Council operates a complaints process for dissatisfied service.

Annex A

BEIS Guidance (11 Jan 2022)

Annex B

Business Rates Information Letter 4 March 2022

Annex C

Confirmation of Government funding £4,954,012