

Manchester City Council Report for Resolution

Report to: Executive – 19 January 2022

Subject: COVID-19 Additional Relief Fund (CARF)

Report of: Deputy Chief Executive and City Treasurer

Summary

This report seeks agreement on the proposed approach to the administration of the COVID-19 Additional Relief Fund (CARF).

Relief towards the business rates chargeable amount for the 2021/22 financial year will be granted using discretionary powers under section 47 of the Local Government Finance Act 1988.

The Council is required to adopt a local scheme and determine each individual case having regard to the government guidance and their own local scheme.

Recommendations

It is recommended that the Executive:

- (i) Notes the funding of £23.993m that will be available and supports the development of the COVID-19 Additional Relief Fund scheme providing rates relief to reduce chargeable amounts for the 2021/22 financial year to businesses in the city.
 - (ii) Notes the challenges administering the grant and the limited funding which means that the Council will have to prioritise awards.
 - (iii) Notes that this scheme will be developed and delivered using **only** the government funding that will be fully reimbursed using discretionary relief powers under section 47 of the Local Government Finance Act 1988.
 - (iv) Grants delegated authority to the Deputy Chief Executive and City Treasurer to finalise and implement the scheme in accordance with the principles within this report and any further government guidance (in consultation with the Leader).
 - (v) Grants delegated authority to the Deputy Chief Executive and City Treasurer, in consultation with the Leader of the Council, to develop and implement new or extended schemes involving further tranches of this funding that sit within the same government policy intention for the remainder of the municipal year. This will include decisions up to and including the May 2022 Executive meeting.
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Wards Affected – all wards

Financial Consequences – Revenue

The additional work associated with these measures will be administered by the team that has been set up from across the Council to deal with the business grants and other relief due to Covid.

This is a significant demand on Council staffing resources to deliver this scheme and other financial schemes announced by the government.

New burdens funding will be made available by the government. At this stage we do not know how much this will be.

The Council is going to receive £23.993m that will be paid as a relief towards business rates accounts for the 2021/22 financial year. Guidance was received on 15 December and a scheme now must be developed with some urgency so that businesses can claim and receive any relief promptly towards the rates bill.

Financial Consequences – Capital

Not applicable

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Background documents (available for public inspection):

The following document discloses important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy, please contact one of the contact officers above.

- Department for Levelling Up, Housing and Communities - COVID-19 Additional Relief Fund (CARF): Local Authority Guidance
- [CARF Guidance.docx \(publishing.service.gov.uk\)](#)

1.0 Background

The Council is going to receive £23.993m that will be paid towards business rates bills for the 2021/22 financial year. Guidance was received on 15 December and a scheme now must be developed with some urgency.

Businesses in the retail, hospitality and leisure sectors have received significant support towards their rates bills in the last two years. This was 100% rates relief in 2020/21 and 75% relief in 2021/22. All other businesses had to pay their full rates less any existing relief unrelated to covid.

On 25 March 2021 the Government announced a new COVID-19 Additional Relief Fund (CARF) of £1.5 billion. The fund is available to support those businesses affected by the pandemic but that are ineligible for existing support linked to business rates. A change to primary legislation was required to facilitate the fund, which explains the lengthy period between the announcement and the issuing of the guidance in late December 2021.

The £1.5 billion has been allocated to local authorities based upon the estimated rateable value in each local authority rating list which falls within the scope of the fund, weighted for the Gross Value Added (GVA) impacts of COVID-19 per sector.

The Government is not changing the legislation relating to the funding of business rates reliefs available to properties. Instead, the Government will, in line with the eligibility criteria set out in their 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 the 2021/22 financial year only. On that basis, this relief is only payable to businesses that had a business rates liability during this period.

In summary this is a new discretionary relief that will be paid to the 2021/22 rates bill to reduce the rates payable. It is for all those businesses that have been affected by the pandemic but have not received any rates relief to date and have not been able to submit an appeal to the Valuation Office Agency to reduce their business rates because of the pandemic.

2.0 Key principles from the government guidance

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 Council is going to receive £23.993m. Guidance was received on 15 December and a scheme now must be developed with some urgency. A massive amount of work is required to develop a scheme. The government has asked local authorities to process this relief as quickly as possible. Manchester is aiming to pay the majority of the awards by the end of April 2022.

3.0 How much relief will be available?

3.1 The Council's role

The government has stated that it will be for local authorities to determine the level of relief for individual hereditaments.

It should be noted that this is a relief paid towards the rates that were due to be paid in the 2021/2 financial year only and cannot be paid for any periods before or after this or in the form of a separate cash grant outside of the business rates system. It should be noted that ratepayers may be put into credit on their 2021/22 bill when the relief is awarded (see section 6.6 and 6.8).

This is a significant amount of work and requires the Council to individually assess several thousand requests for relief. Because this is a retrospective award towards a business rates account, it is complicated by recovery activity, previous payments by the charge payer and other rates relief. The technical detail is included for transparency.

3.2 Relief award and sequence

The relief should be applied after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied, excluding those where billing authorities have provided relief using their wider discretionary relief powers introduced by the Localism Act 2011 which are not funded by section 31 grants. As required in the NNDR3 guidance notes, the former categories of discretionary relief prior to the Localism Act should be applied first in the sequence of discretionary reliefs and, therefore, before any relief provided under the COVID-19 Additional Relief Fund (CARF).

Billing authorities may wish to use their discretionary powers to offer further discounts outside this scheme. However, where an authority applies a locally funded relief, this must be applied after CARF.

4.0 Impact of small business rates relief

Those businesses that receive 100% small business rates relief will not be eligible for support from the CARF scheme. Businesses that only receive partial SBRR (those with a Business Rates Liability between £12,001 and £15,000) will be eligible for support and the relief will be awarded to the balance on the account.

5.0 Recalculation of relief

Depending upon how local authorities choose to award CARF, the amount of relief awarded may need to be recalculated in the event of a change of circumstances. This could include, for example, a backdated change to the rateable value of the hereditament. This change of circumstances could arise during the year in question or during a later year.

Under regulations made in section 47 of the Local Government Finance Act 1988, authorities must give at least 12 months' notice of a revocation or variation of a rate relief scheme the effect of which would be to increase rate bills (other than to comply with any international agreement). Such a revocation or variation can only take effect at the end of a financial year but, within these regulations, local authorities may still make decisions which are conditional upon eligibility criteria. If a change in circumstances renders a property ineligible or reduces the value of the award, the relevant bill can be amended in the year to reflect the loss of the relief. Therefore, when making an award for CARF, local authorities should ensure in the conditions of the award that the relief are subject to the property's continuing eligibility

6.0 The Council's approach

There is a lot of technical and legislative detail that must be considered as per the earlier sections of this report,

The key priority, after ensuring that payments are not made to excluded groups, is for the Council to direct the financial support towards ratepayers who have been adversely affected by the pandemic and have been unable to adequately adapt to that impact. This will be by a retrospective adjustment to their 2021/22 business rates account. The remainder of this document explains how we will approach this.

6.1 Identifying potential in-scope businesses

The Council will aim to produce a list to identify all those businesses excluding those that are ineligible based on the government's criteria. This is expected to be circa 12,800 businesses. This will be a master list of in-scope businesses.

Business Rates are significant and could include business hereditament as small as an ATM, advertising hoarding or car parking space and as large as the airport units and major production sites.

As this is a discretionary award, the Council cannot fetter its discretion and must consider each case on its own merits subject to the criteria determined by the government.

6.2 Businesses that have already submitted an appeal to the Valuation Office Agency (VOA)

The Council will also identify a separate list of those businesses that have appealed for a reduction in rates from the Valuation Office Agency due to a material change of circumstances due to the covid pandemic. There have been 9,394 appeals lodged under these grounds since March 2020, from 4,700 businesses in Manchester. These are all businesses that have appealed to the valuation office under legislation in the business rates regime to seek a reduction in their rates due. The government has now stated that it will not be accepting these appeals and these businesses will be referred to the Council.

It should be noted that some of these will not be eligible for funds from the CARF due to them receiving other business rates relief which invalidates them (see section 8.0), in the main because they are retail, leisure and hospitality and will have already received significant rates relief.

The Council will then contact the eligible businesses to make them aware of the scheme and invite them to apply.

The scheme will also be available on the Council's website and will be publicised via the Council's Strategic Development Directorate working with a range of business support organisations in the city to maximise awareness.

6.3 In-scope businesses vs funding that is available

In the 2021/22 financial year so far, circa 29,741 businesses have been billed for a total charge of £296.7m. After removing businesses ineligible for the CARF (those subject to extended retail relief, nursery relief, and certain types of ineligible properties), this leaves around 12,800 businesses eligible to claim CARF (with a total 21/22 charge of £255.2m).

However, a significant number of these businesses will not have been adversely impacted by the pandemic and so would likely not be entitled to the relief. It is difficult from the data we have available (including property description) to ascertain exactly which of these businesses have been adversely affected or not. Businesses will need to apply, and we will have to make that determination based on their application and any supporting evidence. Without evidence of a detrimental impact we will not be able to pay any relief.

This is likely to be very resource intensive.

6.4 Application demand and prioritisation approach

This is a difficult scheme to estimate demand for, based on the following.

1. Business Rates are complex, and some smaller businesses may struggle with this process. The Council will work hard to raise awareness within the business community and will contact in-scope businesses with guidance including clear advice and next steps as well as where to go for support.

2. The amount of relief awarded, although a financial award, is not paid as a cash grant and is paid towards the 2021/22 rates account. If there are arrears this will just reduce the amount outstanding to the Council. This may mean that some businesses that could be eligible may not apply as it is not a cash payment.
3. Businesses may also be deterred by the activity required in terms of claiming and evidencing their application for this relief. Businesses may also choose not to provide evidence of negative financial impact and further forms for a retrospective rates bill.
4. Alternatively, there could be very high demand from businesses in the city that, to date, have not received any rates relief and this could prove a significant source of support that can be converted into a cash refund should their rates account be in credit.

Until we go live it is difficult to say what the demand will be.

6.5 Application process

The Council will develop a web-based application form that will be made available on the Council's website. Businesses will be required to confirm that they are not one of the excluded groups and say how they have been negatively impacted due to the covid pandemic and will be able to upload evidence to support their application.

The aim is that this application process will follow shortly after the implementation of the Omicron Hospitality and Leisure Grant (OHLG) and slightly before the extended Additional Restrictions Grant (ARG) that are also expected to launch mid-January 2022.

The application process will allow a set period (expected to be 4-6 weeks) for businesses to submit applications and evidence. There will then be a formal cut-off to allow applications to be considered. The intention is to provide as much financial support as possible to eligible businesses in the city cognisant of the budget available.

6.6 Awarding the relief

The amount paid in CARF will be paid as a relief to reduce the chargeable amount of business rates for the 2021/22 financial year. There will be no direct cash grants as a result of this scheme.

6.7 Amounts of relief paid

Each case must have been **severely impacted** (lost business revenue) by the pandemic and will then be considered on its own merits, taking into account the following:

- The business hereditament is related to business activity only rather than for personal use (for example a hobby, pastime or personal car parking space),
- The impact that the pandemic has had on the business and the evidence provided.

- The business sector and how this has been affected,
- The contribution and impact of the business within the city and its role as a good employer and provider of jobs and opportunities.
- The government guidance and scheme intentions.
- The level of demand versus budget that is available.

Award amounts will be paid a relief on the business rates account up to a maximum of 100% of the business rates chargeable amount for the 2021/22 financial year.

6.8 Dealing with credits

If the 2021/22 account is in credit, unless there is a specific request from the business requesting that the credit is refunded, any credit will be used to reduce any business rates liability. This could include arrears or the amount due for the 2022/23 financial year.

This approach may change based on government guidance.

7.0 Key Dates

The Council will launch the scheme on 19 January if possible, subject to sign off from the Executive.

The indicative closure date for applications is 28th February 2022.

The scheme will be reviewed on a weekly basis to consider the budget position and the status of the economy and the covid related local and national restrictions.

It is proposed that when the scheme is closed the number of applications will be considered based on the available budget and credits are expected to be transferred into the business rates accounts during March and April 2022.

The decision to close the scheme will be made by the Deputy Chief Executive and City Treasurer in liaison with the Leader of the Council.

8.0 Out of Scope and exclusions to receive CARF relief

8.1 Out of scope based on government criteria

As stated above, the following areas are **not** entitled to relief. In line with the legal restrictions in section 47(8A) of the Local Government Finance Act 1988, billing authorities may not grant the discount to themselves, certain precepting authorities (e.g. a parish or county council) or a functional body, within the meaning of the Greater London Authority Act 1999.

8.1.1 Extended Retail Discount (covering Retail, Hospitality and Leisure)

This is based on them wholly or mainly being used:

- as shops, restaurants, cafes, drinking establishments, cinemas and live music venues
- for assembly and leisure; or
- as hotels, guest and boarding premises and self-catering accommodation.

8.1.2 The Nursery Discount

- On Ofsted's Early Years' Register
- Wholly or mainly used for the provision of the Early Years Foundation Stage

8.1.3 The Airport Ground Operations Support Scheme (AGOSS)

- Commercial airport situated within England with a valid commercial license from no later than 27 October 2021 that operated at least 12 scheduled commercial passenger flights in 2019
- Ground handling company providing, as your primary function, any of the handling service listed in EU Directive 96/67/EC directly to an airport user for scheduled commercial flights at a commercial airport in England, for a site or sites located in England

If any businesses apply for CARF and meet the criteria for the schemes above, they will be directed to claim the correct discount/relief.

8.2 Local consideration and exclusions

Applications will not normally be considered where it is the Council's view that the award of any relief is not in the best interests of the taxpayers of Manchester City Council. Examples of this include:

Businesses which cause a detrimental impact on the city, our residents, or our communities (including businesses who undertake tax avoidance schemes), where there is evidence to support this.

Applications will also not normally be considered for the following hereditaments:

- Premises and land used for personal use or storage.
- Car parking spaces that are not run as a commercial business.
- Utilities and communications infrastructure
- Central and local government and NHS infrastructure.

9.0 State Aid

Reliefs are subject to published state aid restrictions and businesses must confirm that they have not reached the published de minimis levels that would exclude them from receiving further funding that could be classed as state aid. The Council is required to provide the Government with details of the businesses we have given grants to.

10.0 Fraud

The Council reserves the right to check eligibility of all applications to mitigate and prevent fraud and error in the system. This will include both pre and post payment checks.

The government has stated that it will not accept deliberate manipulation and fraud - and any business caught falsifying their records to gain grant or other relief money will face prosecution and any funding issued will be subject to claw back, as may any grants or other relief paid in error.

11.0 Contributing to a Zero-Carbon City

Not applicable

12.0 Contributing to the Our Manchester Strategy

(a) A thriving and sustainable city

Supporting our residents and businesses at difficult times is a key part of the Our Manchester Strategy. Working across service areas with the citizen at the heart of this is key.

(b) A highly skilled city

Support will be provided to those businesses that require assistance with their self-service and digital access skills development.

(c) A progressive and equitable city

This initiative supports businesses during difficult and challenging times and saves them money and time.

(d) A liveable and low carbon city

See above

(e) A connected city

Support will be provided to those businesses that require assistance with their self-service and digital access skills development.

13.0 Key Policies and Considerations

13.1 Equal Opportunities

There are no specific equality issues identified.

13.2 Risk Management

The following risks have been identified and are actively considered by the project team in the development and administration of the scheme.

1. Demand Management (see section 6.4)
2. Government requests that this relief should be allocated as soon as possible,
3. Conflicting priorities including the administration of the OHLG and extended ARG schemes as well as normal year end activity and recovery.
4. Fraudulent claims - Internal Audit are involved in the application process to ensure such claims are identified and, where appropriate, action taken against the fraudulent claimant.

13.3 Legal Considerations

Legal considerations are within the body of the report

14.0 Recommendations

It is recommended that the Executive:

- (i) Notes the funding of £23.993m that will be available and supports the development of the COVID-19 Additional Relief Fund scheme providing rates relief to reduce chargeable amounts for the 2021/22 financial year to businesses in the city.
- (ii) Notes the challenges administering the grant and the limited funding which means that the Council will have to prioritise awards.
- (iii) That this scheme will be developed using **only** the government funding that will be fully reimbursed using discretionary relief powers under section 47 of the Local Government Finance Act 1988.
- (iv) Grants delegated authority to the Deputy Chief Executive and City Treasurer to finalise in accordance with the principles within this report and the government guidance (in consultation with the Leader) and implement the scheme.
- (v) Grants delegated authority to the Deputy Chief Executive and City Treasurer, in consultation with the Leader of the Council, to develop and implement new or extended schemes involving further tranches of this funding that sit within the same government policy intention for the remainder of the municipal year. This will include decisions up to and including the May 2022 Executive meeting.