

Brighton & Hove City Council

Policy and Resources Committee

Agenda Item 39

Subject: Covid Additional Relief Fund Update

Date of meeting: 29 July 2022

Report of: Chief Finance Officer

Contact Officer: Name: Paul Ross-Dale

Email: paul.ross-dale@brighton.hove.gov.uk

Ward(s) affected: All

For general release

1 Purpose of the report and policy context

- 1.1 The Covid Additional Relief Fund (CARF) is a one-off scheme designed to support businesses emerging from the pandemic and which is distributed by Local Authorities on behalf of the Government.
- 1.2 The allocation for the Brighton and Hove area was £6.912m, in respect of the financial year 2021/22. The scheme is intended to provide support to businesses who are not receiving support from existing rate relief schemes, nor likely to have been beneficiaries of business grants schemes, who, nonetheless, have been detrimentally impacted by the pandemic.
- 1.3 Whilst a local policy for distributing the fund was approved by [Policy and Resources \(Recovery\) Sub-Committee](#) on 20 January 2022, the take up has been low in spite of repeated efforts to promote the scheme. This update reviews the position and recommends a revised version of the scheme that will ensure all government funding is issued before the deadline of 30 September 2022.

2 Recommendations

- 2.1 That the Policy & Resources Committee approves the revised scheme criteria described in Section 4.

3 Context and background information

- 3.1 On 25 March 2021 the Government announced a new COVID-19 Additional Relief Fund (CARF) of £1.5 billion stating that 'The fund will be available to support those businesses affected by the pandemic but that are ineligible for existing support linked to business rates'. However, the scheme needed parliamentary approval and the government did not issue [guidance for the design of the scheme](#) until 15 December 2021. The Brighton and Hove area was allocated £6.912m funding.

- 3.2 All allocations of relief must be completed no later than 30 September 2022.
- 3.3 The intention of the scheme was primarily to enable councils to support businesses that were not entitled to Extended Retail Discounts in 2021/22. That relief provided 100% discount from April to June 2021, and 66% discount from July 2021 to March 2022.
- 3.4 Local Authorities were empowered to design their own scheme, subject to certain conditions and exclusions. Policy & Resources (Recovery) Sub-Committee approved a scheme on 20 January 2022.
- 3.5 CARF can only be awarded in respect of liability in 2021/22. The main exclusions are that it cannot be awarded for periods when the property is unoccupied. In addition, the relief cannot be applied to businesses in receipt of, or potentially entitled to, Extended Retail Discount. Therefore, Hospitality, Retail, Leisure and Event businesses do not benefit from any additional support from this scheme for premises where there is public access, though they may benefit in respect of office, workshop or storage space they operate in support of their public access premises.
- 3.6 In the original Policy & Resources report from January, 1,852 properties were identified as being potentially eligible for this relief. The main categories of business that were potentially eligible were Offices (1252), Workshops (182), Warehouses (125), Stores (132) and Factories (52).
- 3.7 It was anticipated that the fund could pay for up to 1,000 awards of either 75% relief, or 25% relief. 75% would be awarded to businesses that supply to the Hospitality, Retail, Events and Tourism sectors and essential health services such as dental practices, while 25% would be awarded to non-supply businesses fitting the eligibility criteria.
- 3.8 As at mid-June, 224 CARF awards had been made, amounting to £1.213m, leaving £5.698m unallocated. There is no provision for the council to retain any underspend, so if it is not distributed, it will effectively be reclaimed by government without it benefiting local businesses. At the other extreme, any spending over the maximum allocation would not be reimbursed.
- 3.9 As soon as the scheme was approved, all of the potentially eligible businesses were contacted in February 2022 by email and letter, and invited to make a claim. A reminder was subsequently sent out to all potentially eligible businesses in March 2022. The council posted on social media about the scheme and alerted representatives of the local business community about low take up at a meeting on 3 May 2022.
- 3.10 Whilst some work was undertaken to talk to eligible businesses about why they were not replying, there appears to be no definitive cause for the lack of take-up. However, the following are believed to be contributory factors:
- The CARF applies to 2021/22, and businesses are limited on time and resource, and are focused on maximising revenue in the current reviving climate;
 - The current scheme involves a relatively complicated process, requiring evidenced details of the extent of loss to each business;
 - Similarly, it is a relatively complicated application process via the website – businesses appear not to be clear if they can benefit;

- In its nature, CARF is a scheme that was intended to help businesses that had slipped, unaided, through the gaps of previous government help – the pool of potential applicants was therefore much more limited.

4 Updating the distribution methodology and criteria

- 4.1 It is proposed that a new methodology and distribution matrix should replace the previous scheme with effect from 30 July 2022 to maximise distribution of the fund and support those businesses ineligible for other support or relief.
- 4.2 In the time since the first scheme was drafted, other Local Authorities have designed and published their own versions. After reviewing a broad selection of other CARF schemes, an alternative distribution method has been identified that will enable the council to disburse all of the funding to local businesses in a simpler way that does not rely on encouraging take up.
- 4.3 Under the proposed new methodology, businesses will no longer have to make an application, and they will no longer be required to provide information that demonstrates their material loss.
- 4.4 Instead, the council will adopt the same local distribution methodology that the government set out in its guidance for national distribution. The government estimated the likely numbers of affected businesses in each Local Authority, broken down by sector and business type, and this determined the local funding allocations. However, this could also be applied sector by sector at a local level by individually assessing and identifying eligible businesses.
- 4.5 The list at paragraph 4.6 outlines the likely impact of the pandemic on each business sector. The government created the list by analysing the change in Gross Value Added (GVA). GVA measures the value of goods and services produced in an area, industry or sector of the economy. The government then linked each entry on the list to a *Standard Industrial Code of Economic Activities* code (SIC code). The [government's guidance for CARF](#) contains a detailed description of the methodology at Annexes A to F.
- 4.6 Officers in the council's Business Rates team have identified the appropriate SIC code for all eligible ratepayers in order to consider what relief they should be awarded on an individual basis. The rate of relief awarded in each case will be determined according to the provisional amounts in the following table:

SIC code	Sector	GVA change	% of relief awarded	Number of cases
I	Hospitality	-55%	85.00%	84
R	Arts, Entertainment and Recreation	-34%	66.00%	51
S	Other Services	-32%	66.00%	62
Y	Transport	-32%	66.00%	40
N	Administrative Services	-21%	50.00%	320
P	Education	-20%	50.00%	97
F	Construction	-14%	35.00%	70
A	Agriculture, Forestry and Fishing	-13%	35.00%	1
Q	Health	-10%	35.00%	200
C	Manufacturing	-9%	15.00%	59

B	Mining and Quarrying	-8%	15.00%	0
G	Wholesale and Retail	-8%	15.00%	187
M	Professional Services	-7%	15.00%	683
J	Information and Communication	-6%	15.00%	313
X	J-N: Information, Communication, Financial Intermediation, Real Estate and Business Services	-6%	15.00%	0
K	Financial Services	-2%	0.00%	0
L	Real Estate Activities	-2%	0.00%	0
D	Energy	-1%	0.00%	0
Z	Storage and Distribution	-1%	0	0
E	Water and waste management	0%	0	0
O	Public Administration	1%	0	0

- 4.7 The percentages of relief shown above are closely indicative of the final awards. However, it will be necessary to calibrate the exact percentages at the first opportunity after 30 July, the start date of the new version of the scheme. Awards may continue up until 29 July under the existing rules, and it may therefore be necessary to make small adjustments to take this into account, along with other variable factors. Officers will be authorised to make these final adjustments.
- 4.8 It is proposed that there will only be one round of relief allocations and there will be a maximum award of £75,000. This cap is to ensure that the CARF scheme has a broad reach across the city and prevents a large proportion of the fund (over £1.2m) going to just 8 businesses.
- 4.9 If a business is dissolved or in liquidation, there will be no entitlement to CARF. This is so that help can be prioritised towards businesses that are still operating.
- 4.10 There is a risk that some businesses will have received other support in excess of the amounts allowable under the Subsidy Control (formerly State Aid) regime and may return their allocation, resulting in under-utilisation of the scheme. However, limiting maximum awards should minimise this risk as far as practicable.
- 4.11 Regarding compliance with the government's guidance, the Covid-19 Additional Relief Fund is made available to local billing authorities under Section 31 of the Local Government Act 2003, which is a general power of government to contribute towards local authority expenditure. Usually, such grants confer a wide discretion of the recipient authority as to how the money is applied. However, in the case of CARF the government published guidance which is effective to 31st March 2023 and specifies the types of business eligible for relief and the amount that can be offered and how that is assessed.

- 4.12 The intended purpose of the guidance is to support local authorities in administering the COVID-19 Additional Relief Fund (CARF). That support comes in the form of guidance on the scope of CARF and the criteria which local authorities should have regard to when determining awards from the fund whilst making the point that the guidance does not replace existing legislation.
- 4.13 The guidance contains the following fundamental eligibility points:
- Firstly, the fund will be available to support those businesses affected by the pandemic but that are ineligible for existing support linked to business rates;
 - Secondly, 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;
 - Thirdly, the relief is available to reduce chargeable amounts in respect of 2021/22;
 - Fourthly, so as not to infringe the rules around Subsidy Control (formerly called State Aid) care will need to be taken to ensure that the recipient of a payment will not have received more than the maximum allowable subsidy under the Small Amounts of Financial Assistance Allowance in a three-year period (consisting of the current financial year and the two previous financial years).
- 4.14 Although non-statutory, the incentive for the Council to comply with the guidance is that Central government will fully reimburse local authorities for discretionary relief awards which comply with this guidance up to the maximum level of the allocations. It is therefore appropriate to adopt this guidance as part of the Council's framework for granting relief from business rates and therefore the recommended revised scheme above offers a fair and transparent methodology for distribution which follows the methodology set out in the guidance.

5 The old CARF scheme

- 5.1 The criteria for the old CARF scheme, as set out at Policy & Resources Committee on 20 January 2022, will cease to apply from 30 July and will be superseded by the measures set out in this report. Applications received up to the end of 29 July will be considered using the old criteria.
- 5.2 A check will be performed to establish whether any existing CARF recipients would be better off under the new criteria. If so, their relief will be topped up accordingly. If there are recipients who, under the new criteria, are deemed to have received too much CARF, they will be able to keep the amount they were awarded.

6 Analysis and consideration of alternative options

- 6.1 An alternative option is to top up existing cases that have already applied and been awarded CARF. However, this would mean focusing £5.698m on a very small number of recipients, and the likelihood is that even if they were all awarded 100%, there would still be a substantial underspend of the fund.
- 6.2 The other option is to leave the scheme as it is, but continue to promote it. However, it is not clear what extra measures could be employed to promote

the scheme that have not already been attempted. The outcome is still likely to be a substantial underspend.

7 Community engagement and consultation

- 7.1 The council maintains links with business representative organisations and has promoted Covid-19 support schemes through these links and will continue to do so.

8 Conclusion

- 8.1 The report proposes a new methodology for the distribution of funding provided under the government's CARF scheme to ensure that the fund is maximised and local businesses receive the support that was intended by the scheme. Not doing so will mean the return of funds to government to the detriment of local businesses and the local economy.

9 Financial implications

- 9.1 The council has been allocated £6.912m Covid-19 Additional Relief Funding for the Brighton and Hove area. However, due to low take up, there is £5.698m remaining to be allocated. Section 4 sets out the proposed methodology and criteria for distributing remaining funds and ensuring they are received by the businesses they were intended for.
- 9.2 The key risk to consider is whether or not the council could be liable for the return of funds if the proposed methodology is not in accordance with the scheme requirements. This risk is considered to be very low and is covered in the Legal Implications below. While the guidance in relation to this scheme is non-statutory and the scheme design is both compliant and for local members to approve, to provide additional assurance officers have contacted government (BEIS) to seek their views but have not received a response to date.

Finance officer consulted: Nigel Manvell Date consulted (19/07/22):

10 Legal implications

- 10.1 Subsidies are permitted under the current subsidy control regime when the amount paid to each economic operator is below 325,000 Special Drawing Rights (currently £357,000) over three years. The awards are limited to £75,000 and officers will take steps to ensure that this allowance is not exceeded. There are therefore no subsidy control concerns.

Name of lawyer consulted: Alice Rowlands Date consulted (20 July 2022):

11 Equalities implications

- 11.1 There are no direct equalities implications as the scheme is accessible to all businesses.

12 Sustainability implications

- 12.1 There are no sustainability implications.