



Covid-19 Additional Relief Fund (CARF) Scheme for 2021/22

July 2022



Table of Contents

Introduction	.....	3
Purpose of the scheme	.....	4
Eligibility	.....	5-7
Maximum Relief per Property and Cap per business	.....	8
The application process & Appeals	.....	9
Annexe A – Subsidy Allowance	.....	10-13

Introduction

In March 2021, the Chancellor announced a £1.5bn pot to support businesses, outside the retail, hospitality, leisure sector, with the cost of Business Rates. The fund is aimed at providing discretionary relief from business rates and as such, is not a grant paid to businesses.

The Government will 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 business rates in respect of 2021/22 only.

The CARF scheme has some overarching eligibility requirements set by Government but due to the limited funding, the Council can set local additional eligibility requirements, exclusions and limits to meet the needs of its business community whilst ensuring the spend does not exceed the maximum budget permitted.

Tower Hamlets has been awarded £26,465,118. (Any overspend would have to be funded by the Council).

Purpose of the scheme

The principle of the scheme is to support those businesses affected by the pandemic but that did not qualify for existing support linked to business rates.

This policy intends to address supporting targeted businesses and not to award to businesses 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) or the Nursery Discount.

This scheme will be open to businesses occupying properties in the non-domestic rating list and who have been adversely affected by the pandemic and have been unable to adequately adapt to that impact.

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.

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.

Grants will be issued at the Council's discretion and the amounts given to individual businesses will be subject to subsidy allowances. See Annex A for further details.

Eligibility

The guidance issued by the Department for Levelling Up, Housing and Communities in December 2021 sets out the key elements of the scheme all local authorities must follow before any additional localised scheme requirements and eligibility/exclusions. These key elements are summarised below:

- Relief is only available to reduce the business rates due in respect of the 2021/22 financial year
- Any expenditure above the funding allocation (£26,465,118 for Tower Hamlets) has to be funded by Tower Hamlets itself
- We cannot award relief to ratepayers who for 2021/22 are either in receipt of, or would have been eligible for, the expanded/extended retail discount scheme or nursery discount – this includes those who are not in receipt of retail relief due to exceeding national capping levels or choosing to opt out of receiving the relief.
- Relief cannot be awarded for a period a property is unoccupied (temporary closures of the premises on the grounds of government restrictions / advice on Covid-19 do not constitute unoccupied for the purposes of ‘empty’ business rates relief so are ignored for the purpose of this scheme)
- Support must be directed to ratepayers who have been adversely affected by the pandemic and have been unable to adequately adapt to the impact.
- Tower Hamlets cannot award relief to itself or the GLA
- Relief will only be awarded for the 2021/22 financial year, after all other reliefs have been considered first (such as small business rates relief, expanded retail relief, etc.)
- The recipient must comply with Subsidy allowances and/or Covid-19 Additional Relief Fund Further Allowance under the CARF scheme which range from £343,000 of relief up to £12,243,000, subject to satisfying specific conditions set out on pages 7 and 8 of the national scheme guidance. The full national guidance, including the subsidy and Covid-19 Additional Relief Fund Further Allowance, can be read here: [CARF Guidance.docx \(publishing.service.gov.uk\)](#)

Further guidance from the Department for Levelling Up, Housing and Communities is summarised below:

- Local authorities should ensure they are not crediting the COVID-19 Additional Relief Fund or any other discretionary business rates relief to the account of those businesses or persons on the HMT Sanctions list here: <https://www.gov.uk/government/publications/the-uk-sanctions-list>
- There is a legislative bar meaning that relief cannot be awarded for the financial year 2021/22 after the end of September 2022. Any unallocated funds will be reconciled and collected via the NNDR process. Local authorities will not be compensated for any CARF relief awarded against 2022/23 liabilities.
- Authorities are not required to use an application process.

Additional Tower Hamlets localised eligibility requirements and exclusions:

- All awards are final, except where subsequent/retrospective evidence comes to light showing the award was based on fraud or error. In these cases, the Council reserves the right to revoke or reduce the support after an award is made. In addition, the Council reserves the right to ask for additional evidence or withhold support where it has a reasonable belief that the information it holds is not correct.
- Due to poor response rates across the country for take up of CARF schemes Tower Hamlets Council will auto award an allocation of CARF to eligible businesses based on an analysis of our business rates records.

If any business within Tower Hamlets business rates records is shown as empty for the period they are seeking relief against, they will be required to provide the following evidence:

- Utility bills for the premise(s) you are claiming relief for along with corresponding bank statement evidence to show them being paid;
- Evidence of any direct trade, services or sales to the public from the premise(s) you are seeking relief for (PDQ machine evidence, bookings evidence, etc.)
- Proof of payment of any rental amounts to your landlord (with a copy of the lease/tenancy agreement and bank statement evidence to show the payments)

The business will not qualify if it is in liquidation, dissolved, struck off or subject to a striking-off notice or under notice at the date of award.

- Further exclusions to awarding relief are as follows - Local Government Authorities including the GLA
- NHS and NHS Foundation Trusts
- Transport For London (TFL)
- Network Rail and other national rail companies including Crossrail & Docklands Light Railway and The Arch Company Properties Limited
- London Fire & Civil Defence Authority
- British Transport Police
- Any government bodies or Departments with premises in the borough such as the Department for Work and Pensions (DWP), The Tribunals Service and Valuation Office Agency
- Schools, Colleges & Universities
- Housing Associations
- Companies that are likely to have reached maximum awards for subsidy rules.

The following are also excluded from our local scheme:

- Advertising Rights
- Army or any other Defence related premises
- Any hereditaments relating to gambling or betting related activities
- Bicycle racks and bike storage
- Ancillary areas in shops, gyms, shared offices, shared workspaces or any other hereditaments. This includes, but is not exclusive to:
 - Conference or lecture rooms (large or small)
 - IT and server rooms
 - Lounge areas
 - Communications rooms
 - Breakout areas or brainstorming rooms
 - Locker rooms/areas/showers
 - Medical rooms
 - Meeting rooms
 - Mess rooms
 - Phone booths
 - Mail rooms, Post rooms and post sorting areas
 - Reception areas/rooms
 - Rest rooms
 - Tea points / Kitchen
- Car parks, parking spaces, etc. including motorcycle parking spaces and electric vehicle charging points
- Communication stations or communications equipment (of any kind). Broadband/Wireless/Wi-Fi communication, electricity related hereditaments, Independent Distribution Network Operators, Fibre Optic related hereditaments
- Garages, lockup's, store(s), storage facilities, land used for storage, portacabins, site huts and display showcases
- Telephone booths and other types of public phones
- Show flats/ marketing suites
- ATM's / sites of ATM's
- Delivery lockers / Electronic delivery lockers

Maximum Relief per Property and Cap per business

The preferred method of distributing the funds is by awarding 100% discount to smaller businesses based on the rateable value and awarding a capped level of funding to businesses in occupation of properties above that rateable value.

Due to the limited funding available it has been necessary to cap the maximum relief per property at £15,000.

Due to poor response rates across the country for take up of CARF schemes Tower Hamlets Council will auto award an allocation of CARF to eligible businesses based on an analysis of our business rates records.

The table below shows how this funding will be distributed:

Award of 100% to properties	Value of awards to businesses with RV at £30k or below	Number of periods receiving 100% relief	Level of Cap	Value of awards to businesses with RV over £30k	Number of periods over £30k RV capped at £15k.	Total Spend
30,000 RV and below	£10,739,146	3,349	£15,000	£15,086,856	1,117	£25,826,002

Available Funds - £26,465,118

With a 100% award based on rateable value with a cap above that rateable value we will be able to target smaller businesses having a greater impact on their survival. Keeping the level of the cap low will reduce the chance of larger businesses breaching subsidy rules.

The £639,116 remaining in the budget will allow for changes to liability and requests from businesses that have not been awarded but feel they meet the qualifying criteria.

A period of 4 weeks will be allowed and successful businesses will be allocated the remaining funds either in line with the current levels or split equally dependant on the level of successful businesses.

Policy Review

The Council reserves the right to modify eligibility criteria and funding thresholds to ensure fairness and that awards do not exceed the total funding available.

This will be subject to review by the Chief Finance Officer.

The Application Process

There will be no application process and details of the scheme will be published on the Council's website.

It is assumed that most businesses (on the property types not exempt from the scheme) have in some way been adversely affected by the pandemic. Tower Hamlets therefore proposes to automatically award the relief to all eligible properties as outlined above. Tower Hamlets will write to eligible businesses to confirm the award of the relief. We aim to have the relief applied to all eligible accounts by the end of August 2022.

A business will have the opportunity to opt out of the scheme if they have not been adversely affected by the pandemic and/or have exceeded the Subsidy Control limits (see below).

All allocations will be made as a business rates relief from the business rates liability.

Any credits not claimed by ratepayers will be transferred to the following years liability where applicable.

Appeals

There is no statutory right of appeal against a decision regarding discretionary reliefs made by the Council.

Annexe A – Subsidy Allowance

Eligibility under Subsidy Allowance (formerly referred to as State Aid)

The EU State aid rules no longer apply to subsidies granted in the UK following the end of the transition period, which ended on 31 December 2020. This does not impact the limited circumstances in which State aid rules still apply under the Withdrawal Agreement, specifically Article 10 of the Northern Ireland Protocol.

The United Kingdom remains bound by its international commitments, including subsidy obligations set out in the Trade and Cooperation Agreement (TCA) with the EU.

On Thursday 4 March 2021 new subsidy allowances were established for the COVID-19 business grants schemes, on the basis of the principles set out in Article 3.4 of the TCA.

Updated COVID-19 business grants subsidy allowances provided on the basis of the TCA

The below scheme rules should be applied to applicants at the level of economic actor, which is defined as an entity or a group of entities constituting a single economic entity regardless of its legal status, that is engaged in an economic activity by offering goods or services on a market.

There are three subsidy allowances for this scheme set out below:

- Small Amounts of Financial Assistance Allowance (SMFAA);
- COVID-19 Business Grant Allowance (C19BGA); and
- COVID-19 Business Grant Special Allowance (C19BGSA).

Small Amounts of Financial Assistance Allowance (SMFAA)

Grants may be paid in accordance with Article 364(4) of the Trade & Cooperation Agreement (TCA), which enables an applicant to receive up to a maximum level of subsidy without engaging Chapter 3 of the TCA. This allowance is up to 325,000 Special Drawing Rights, to a single economic actor over a rolling period of three fiscal years, (the “Relevant Period”), which is the equivalent of **£335,000** as at 2 March 2021. An applicant may elect not to receive grants under the Small Amounts of Financial Assistance Allowance and instead receive grants only using the below allowances available under this scheme.

The Special Drawing Right calculator here can be used to calculate the exchange rate on the day the subsidy is awarded: https://coinmill.com/SDR_calculator.html

COVID-19 Business Grant Allowance (C19BGA)

Where the Small Amounts of Financial Assistance Allowance has been reached or an applicant has elected not to receive a grant under this allowance, grants may be paid in compliance with the Principles set out in Article 366 of the TCA

and in compliance with Article 364(3) of the TCA under the COVID-19 Business Grant Allowance (subsidies granted on a temporary basis to respond to a national or global economic emergency). For the purposes of the COVID-19 Business Grant Schemes, this allowance is **£1,900,000** per single economic actor. This allowance includes any grants previously received under other COVID-19 Business Grant Schemes using the COVID-19 Business Grant Allowance and any State aid previously received under Section 3.1 of the European Commission's Temporary Framework across any other UK scheme. This may be combined with the Small Amounts of Financial Assistance Allowance to equal **£2,235,000** (subject to the exact amount applicable under the Small Amounts of Financial Assistance Allowance using the Special Drawing Right calculator, and any other support an applicant has received under the Small Amounts of Financial Assistance Allowance in the Relevant Period).

COVID-19 Business Grant Special Allowance (C19BGSA)

Where an applicant has reached its limit under the Small Amounts of Financial Assistance Allowance and COVID-19 Business Grant Allowance, it may be able to access a further allowance of funding under the COVID-19 Business Grant Schemes of up to **£10,000,000** per single economic actor, provided the following conditions are met:

- a. The Special Allowance covers only the applicant's uncovered fixed costs incurred during the period between 1 March 2020 and the date of application, including such costs incurred in any part of that period ('eligible period');
- b. Applicants must demonstrate a decline in turnover during the eligible period of at least 30% compared to the same period in 2019. The calculation of losses will be based on audited accounts or official statutory accounts filed at Companies House, or approved accounts submitted to HMRC which includes information on the applicant's profit and loss;
- c. 'Uncovered fixed costs' means fixed costs not otherwise covered by profit, insurance or other subsidies;
- d. The grant payment must not exceed 70% of the applicant's uncovered fixed costs, except for micro and small enterprises (for the purposes of this scheme defined as less than 50 employees and less than £9,000,000 of annual turnover and/or annual balance sheet), where the grant payment must not exceed 90% of the uncovered fixed costs;
16
- e. Grant payments under this allowance must not exceed £10,000,000 per single economic actor. This allowance includes any subsidies previously received in accordance with Section 3.12 of the European Commission's Temporary Framework or previously received under the COVID-19 Business Grant Schemes using this COVID-19 Business Grant Special Allowance; all figures used must be gross, that is, before any deduction of tax or other charge;

- f. Grants provided under this allowance shall not be cumulated with other subsidies for the same costs.

An applicant must be able to provide the necessary documentation to demonstrate it is eligible for funding under this COVID-19 Business Grant Special Allowance. Local Authorities must first verify that an applicant can meet all the criteria set out under this allowance before providing further funding under this allowance.

Grants provided in excess of the Small Amounts of Financial Assistance Allowance may not be granted to applicants that were defined as an 'undertaking in difficulty' (as defined below) on 31 December 2019. In derogation to the above, grants can be granted to micro or small enterprises (as defined above) that were already in difficulty on 31 December 2019 provided that they are not subject to collective insolvency proceedings.

Article 10 of the Northern Ireland Protocol

Grants in scope of Article 10 of the Northern Ireland Protocol remain subject to EU State aid rules, following the end of the Transition Period which ended on 31 December 2020. Article 10 provides that EU State aid rules will continue to apply to the UK in respect of measures which affect trade in goods and electricity between Northern Ireland and the European Union.

In assessing whether Article 10 may apply, Local Authorities are directed to Section 7 of the technical BEIS Guidance which covers the practical application of Article 10. Local Authorities applying Article 10 must follow Section 7 of the technical BEIS Guidance.

Where a Local Authority grant falls within scope of Article 10 of the Northern Ireland Protocol, then a Local Authority cannot rely on the Small Amounts of Financial Assistance Allowance. Instead, a Local Authority must see if the grant can be awarded under the De Minimis Regulation which allows for up to 200,000 euros of subsidy to be given to an undertaking in a rolling three year fiscal period. If a grant falls within scope of the Northern Ireland Protocol and the De Minimis Regulation cannot be relied upon, then the Local Authority will need to satisfy itself there is another legal route to award the grant in compliance with EU State aid Rules. For example, the grants may be given under the European Commission's Temporary Framework.

General

BEIS may vary the terms of these schemes or suspend or close the schemes with immediate effect, without notice and at any time.

For the avoidance of doubt, grants under the Small Amounts of Financial Assistance Allowance, the COVID-19 Business Grant Allowance and the COVID-19 Business Grant Special Allowance may be combined for a potential total

allowance of **£12,235,000** (taking into account all grants previously received under the COVID-19 business grants schemes and subject to the exact amount applicable under the Small Amounts of Financial Assistance Allowance using the Special Drawing Right calculator and the three fiscal year period applicable to the Small Amounts of Financial Assistance Allowance).

‘Undertaking in Difficulty’

‘Undertaking in difficulty’ means an undertaking in respect of which at least one of the following circumstances occurs:

- (a) In the case of a limited liability company (other than an SME that has been in existence for less than three years) where more than half of its subscribed share capital has disappeared as a result of accumulated losses. This is the case when deduction of accumulated losses from reserves (and all other elements generally considered as part of the own funds of the company) leads to a negative cumulative amount that exceeds half of the subscribed share capital. For the purposes of this provision, ‘share capital’ includes, where relevant, any share premium.
- (b) In the case of a company where at least some members have unlimited liability for the debt of the company (other than an SME that has been in existence for less than three years) where more than half of its capital as shown in the company accounts has disappeared as a result of accumulated losses.
- (c) Where the undertaking is subject to collective insolvency proceedings or fulfils the criteria for being placed in collective insolvency proceedings at the request of its creditors.
- (d) Where the undertaking has received rescue aid and has not yet reimbursed the loan or terminated the guarantee or has received restructuring aid and is still subject to a restructuring plan.
- (e) In the case of an undertaking that is not an SME, where, for the past two years:
 - (1) the undertaking's book debt to equity ratio has been greater than 7.5; and
 - (2) the undertaking's EBITDA interest coverage ratio has been below 1.0.