

REPORT OF
Strategic Director of Service Reform

TO
THE EXECUTIVE LEAD MEMBER FOR FINANCE AND SUPPORT SERVICES
ON
25 August 2022

TITLE: Business Rates Heat Network Relief

RECOMMENDATIONS:

Members are requested to approve the following: -

- To Approve the arrangements to administer the Heat Network Relief using Local Authority discretionary relief powers under section 47 of the Local Government Finance Act 1988, (as amended).
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EXECUTIVE SUMMARY:

In the final report of the Business Rates Review published October 2021 the government announced a 100% relief effective from 1 April 2023 for eligible low-carbon heat networks that have their own business rates bill.

At the Spring Statement 2022, the Chancellor announced that the heat network relief will apply from 1 April 2022. Therefore for the financial year 2022/23, will be delivered using existing local government discretionary relief powers funded by the government.

From 1 April 2023 the government intends for the relief to be provided via legislation for a mandatory heat network relief.

As this is a measure for 2022/23 it is for individual local billing authorities to adopt a local scheme and determine in each individual case when, having regard to government guidance, to grant relief under section 47 of the Local Government Finance Act 1988, (as amended). The government will fully reimburse local authorities for the local share of the discretionary relief, using a grant under section 31 of the Local Government Act 2003.

BACKGROUND DOCUMENTS:

Business Rates Heat Network relief

[Business rates heat network relief: local authority guidance - GOV.UK](#)

KEY DECISION: NO

DETAILS:

Heat networks take heat or cooling from a central source(s) and deliver it to a variety of different customers such as public buildings, shops, offices, hospitals, universities, and homes. By supplying multiple buildings, they avoid the need for individual boilers or electric heaters in every building. Heat networks have the potential to reduce bills, support local regeneration and be a cost-effective way of reducing carbon emissions from heating.

Government Criteria

To be eligible for Heat Network relief the hereditament must be:

- a. wholly or mainly used for the purposes of a heat network, and
- b. the heat is over the next 12 months expected to be generated from a low carbon source (irrespective of whether that source is located on the hereditament or on a different hereditament).

Central Government advise the test at (a) above for these purposes: -

1. A heat network is a **facility, such as a district heating scheme, which supplies thermal energy from a central source to consumers via a network of pipes for the purposes of space heating, space cooling or**

domestic hot water. Hereditaments wholly or mainly providing heat for a different purpose (such as an industrial process) are not eligible. The government will keep under review the incidence of heat networks in any industrial process context and whether they should benefit from the relief.

2. Applied to the hereditament, heat network relief is not available on part of a hereditament. Many small and medium scale heat networks, such as common heating systems in multi-occupied buildings or estates, do not give rise to a separate business rates bill. In these cases, the heat network forms part of the services of the properties which have a wider purpose. Therefore, would not be eligible for Heat Network Relief.
3. The test is on thermal energy, this means that the purpose of generating electricity does not count towards meeting the wholly or mainly test and as a result hereditaments comprising power stations and a heat recovery and network system do not qualify.

Central Government advise the test at (b) above to be made based on a forecast at the start of each financial year and we are not required to revisit that forecast and review the relief retrospectively.

Cost of the schemes in 2022/23

The government will reimburse the authority for loss of income under the rates retention scheme because of awarding the relief.

We will be asked to provide outturn data on the actual cost for providing the relief via National Non-Domestic Rate Return 3 (NNDR3). Any reconciliation will be carried out at this point.

Subsidy Control

The Heat Network relief is likely to amount to a subsidy. Any relief provided by Local Authorities will need to comply with the UK's domestic and international subsidy control obligations.

To administer a subsidy under the Small Amounts of Financial Assistance Allowance it is necessary for the Local Authority to establish that the award of subsidy will not result in the economic actor having received more than £343,000 of subsidy under the Small Amounts of Financial Assistance Allowance in a three-year period 2022/2023 financial year and the two previous years

Where it is clear to the local authority that the ratepayer is likely to breach the Small Amounts of Financial Assistance Allowance then the authority should automatically withhold the relief.

In view of this there will be a requirement for businesses deemed to be in scope to apply for The Heat Network relief and declare any subsidies received at the time of application.

It is the company's responsibility to check that it is eligible, and by the very submission of an application they are declaring that if awarded relief that they are complying with and will not exceed the permitted allowance threshold.

The Application

The Application will be launched on 2.9.22, businesses applying must indicate in their application for Heat Network Relief: -

- The hereditament is wholly or mainly used for the purposes of a heat network,
- the heat is over the next 12 months expected to be generated from a low carbon source (irrespective of whether that source is located on the hereditament or on a different hereditament).
- they have not to date received any subsidy which fell within the Small Amounts of Financial Assistance or COVID-19 related allowances,
- if they have received other such subsidies, then they are required to provide the name and total value of those subsidies.

A separate application will be made available for businesses who have already exceeded the £2,243,000 allowance, as we can still consider eligibility to the Heat Network relief if they have reached this limit providing the business can evidence the following: -

- That they intend to use the support to fund uncovered fixed costs (costs not covered by profits for insurance etc) during the period of COVID-19. Economic actors may claim for up to 70% of their uncovered costs (although this 70% limit does not apply to small businesses with less than 50 employees and less than £9 million turnover where the limit is instead 90%),
- and have shown a decline in turnover of at least 30% within the April 2020 to March 2021 period, compared to the same 2019 to 2020 period.

Businesses may claim up to a further £10 million of additional allowance (on top of the £2,243,000) if they meet the above tests and have not claimed any other support from the additional allowance up to an aggregate £10 million limit (such as from the COVID-19 business grants).

Communication

We will be contacting any identified ratepayers in scope to apply for the Heat Network Relief, Applications are to be made using an intuitive online application form that assists in the eligibility assessment process.

We will be notifying ratepayers of the award of the Heat Network Relief in bills and will ask the ratepayers, on a self-assessment basis, to inform the authority if acceptance of the award they have exceeded the relevant permitted allowance threshold.

Under regulations made under 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 Heat Network Relief, we will be ensuring in the conditions of the award that the relief are subject to the property's continuing eligibility.

We will be updating our webpages and publishing the intuitive online application and promoting the Heat Network Relief via social media and continue to work with partners such as the Business Growth Hub to raise awareness of the Heat Network Relief.

We will also work closely in the decision making with colleagues from the Environmental Policy team who specialise in this area.

RECOMMENDATION

Approves the arrangements to administer the Heat Network Relief using Local Authority discretionary relief powers under section 47 of the Local Government Finance Act 1988, (as amended).

- Identify eligible caseload working with the Environmental Policy team. Invite identified businesses to apply for the Heat Relief, and declare any subsidies received at the time of application
- Include the Heat Relief in bills and ask the ratepayers, on a self-assessment basis, to inform the authority if they are in breach of the permitted allowance threshold

The Heat Network Relief scheme will be administered in accordance with Government guidance.

Milestones

- 25.8.22 Approval of scheme ELMB Finance and Support Services and Workforce and Industrial Relations
- 2.9.22 Publish Details of the Heat Relief on our webpage
- 2.9.22 Publish the Heat Relief Application on our webpage

- 2.9.22 Notify identified eligible businesses to apply for the Heat Relief, and declare any subsidies received at the time of application.
- Using our discretionary relief powers under section 47 of the Local Government Finance Act 1988, (as amended) issue a revised bill reflecting Heat Relief

KEY COUNCIL POLICIES:

EQUALITY IMPACT ASSESSMENT AND IMPLICATIONS:

ASSESSMENT OF RISK: Please refer to the Legal and Financial Implications

LEGAL IMPLICATIONS Supplied by: Nicky Smith, Senior Solicitor

The report explains how the Heat Network Relief scheme will be administered in accordance with Government guidance. It should be noted that in the event of a change in circumstances which may render a property ineligible for the relief during the year the relevant rates bill can be amended. The guidance suggests, therefore, that when making an award, authorities should ensure that the conditions of the award make it clear that the relief is subject to the property's continuing eligibility.

FINANCIAL IMPLICATIONS Supplied by: David Eden – Finance Manager

The awarding of this relief will reduce the gross liability and thus the collection fund's income for 2022/23. However, the government will fully reimburse local authorities for their share of the discretionary relief through section 31 grant based on outturn data submitted in the National Non-Domestic Rates 3 (NNDR 3) return for 2022/23. Therefore, if all the requirements in the guidance for the awarding of the relief are followed, there should be an overall neutral financial impact on the council.

PROCUREMENT IMPLICATIONS Supplied by: NA

HR IMPLICATIONS Supplied by: NA

CLIMATE CHANGE IMPLICATIONS Supplied by: Michael Hemingway Principal Officer Climate change

This initiative is to be welcomed in encouraging the implementation of heat networks across Salford. Heat networks are an important element of our transition to Net Zero. They connect multiple heat users to provide reliable and lower carbon heat. Their efficiency and carbon-saving potential increases as they grow and connect to each other.

Heat networks can provide both heating and cooling, responding to the growing risk of overheating, and increased cooling demands required by buildings. This will become more important as climate change makes extreme heat events more likely.

OTHER DIRECTORATES CONSULTED: Environmental Policy Team

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WARDS TO WHICH REPORT RELATES: All Wards