

Heat Network Rates Relief Scheme (2023/24 financial year only)

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1.0 Purpose of the Policy

- 1.1 The purpose of this policy is to determine the level of discretionary relief to be awarded in respect of eligible low carbon heat networks that have a separate non-domestic rates liability.
- 1.2 This is a Government led initiative which is effective from 1st April 2023 for **one year only** and the Council is keen to support businesses as far as possible.

2.0 General Explanation

- 2.1 In the Spring Statement 2022, the Chancellor announced that the Heat Network Relief will apply from 1 April 2022 so, for the financial year 2022/23, the relief was delivered using existing local government discretionary relief powers under Section 47 of the Local Government Finance Act 1988, funded by Government by means of a S31 grant. This approach has now been extended to the 2023/24 financial year.
- 2.2 The Council therefore intends to provide relief under the discretionary relief provisions for 2023/24 period as requested by Government in order to assist eligible ratepayers.
- 2.3 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.
- 2.4 Heat networks play an important role in decarbonising heat and support delivery of Government's net zero commitments. They are uniquely able to unlock otherwise inaccessible large-scale renewable and recovered heat sources such as waste heat and heat from rivers and mines.

3.0 How will the relief be provided?

- 3.1 As this is a temporary measure for 2023/24, Government is not changing the legislation. Instead, Government will, in line with the eligibility criteria set out in this policy, reimburse the Council if it uses its discretionary relief powers, under section 47 of the Local Government Finance Act 1988, to grant relief.
- 3.2 The Council will be reimbursed following the submission of outturn data in the National Non-Domestic Rates 3 (NNDR3) form for 2023/24. In addition, the Council

is required to ensure that it is able to monitor and report the take up of the scheme at Parliamentary constituency level.

Who is eligible for the relief?

- 3.3 In order 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).
- 3.4 Government anticipates the test at (b) above being made based on a forecast at the commencement of the financial year. The Council is not required to revisit the forecast although it may undertake a review if thought necessary
- 3.5 For the purposes of this relief, 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.**
- 3.6 Hereditaments wholly or mainly providing heat for a different purpose (such as an industrial process) are not eligible.

Wholly or mainly

- 3.7 The test for this relief should be applied to the hereditament as a **whole** and heat network relief is **not** available on part of a hereditament.
- 3.8 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 liability. In these cases, the heat network forms part of the services of the properties which have a wider purpose (e.g., offices) and therefore would not be eligible for Heat Network Relief.
- 3.9 It is expected that the networks eligible for the relief will be the larger facilities which have their own business rates assessment.

Thermal energy

- 3.10 The test is on thermal energy. This means that the purposes of generating electricity does not count towards meeting the **wholly or mainly test** and, as a result, Government does not anticipate hereditaments comprising power stations and a heat recovery and network system to qualify.
- 3.11 A hereditament comprising a Combined Heat and Power (CHP) facility where the generation of electricity at the hereditament was more significant than the generation and supply of heat would not qualify for the relief. However, if a heat

recovery and network system taking heat from a power station was, for whatever reason, in a separate hereditament from the power station then it may still qualify subject to meeting the other tests of eligibility.

- 3.12 Similar considerations will apply where the heat is being taken from an incinerator or Energy from Waste (EfW) Plant. If the heat network forms part of the same hereditament as the incinerator or EfW plant then, unless it has been designed specifically as a heat network, it is unlikely to pass the wholly or mainly test (its primary purpose more likely being incineration of waste or generation of power). However, it may qualify (subject to the other tests of eligibility) if the heat network forms its own hereditament (i.e., if the heat is coming in from a different hereditament such as the case of a heat network which purchases heat from a separately assessed EfW plant).

The heat is generated from a low carbon source

- 3.13 A low carbon source is a source of which at least:
- (a) 50% is renewable as defined below;
 - (b) 50% is waste heat;
 - (c) 75% is cogeneration heat (where cogeneration' means the simultaneous generation in one process of thermal energy and electrical or mechanical energy); or
 - (d) 75% is a combination of the sources above.
- 3.14 A renewable source is any of the sources listed in Class 1(e) of the Schedule to the Valuation for Rating (Plant and Machinery) (England) Regulations 2000 (SI 2000 No. 540) as inserted by regulation 2(b) of the Valuation for Rating (Plant and Machinery) (England) (Amendment) Regulations 2022.
- 3.15 Waste heat includes heat unavoidably generated as a by-product of another process, which would be wasted if not used for the purposes of a district heating network. This may include heat generated through the incineration of waste.
- 3.16 Combined Heat and Power (CHP) sources will qualify as sources of cogeneration heat including gas CHP. However, a hereditament comprising a CHP facility would still have to meet the first test of the relief – that the hereditament was **wholly or mainly** used for the purposes of a heat network (and not for example wholly or mainly for the purpose of generating and selling electricity).

How much relief will be available?

- 3.17 Relief is available at 100% of the chargeable amount for the hereditament for any day on which the eligibility criteria are met. Therefore, for eligible hereditaments the rates liability will fall to nil from 1 April 2023.
- 3.18 Heat Network relief is **not** available on only part of the hereditament. If the eligibility criteria are met for the hereditament as a whole then full relief will be

applied even if, for example, the hereditament contains some plant (such as a back-up boiler) which may not in isolation meet the low carbon tests.

- 3.19 Equally, a hereditament which overall does not meet the eligibility criteria cannot receive partial relief on an individual item of plant which in isolation may have passed the tests.
- 3.20 The Heat Network Relief will be applied after mandatory reliefs but before any other discretionary reliefs.

Recalculations of relief

- 3.21 The amount of Heat Network Relief awarded will be recalculated in the event of a change of circumstances. This may include, for example, a backdated change to the rateable value or to the hereditament.
- 3.22 Under the Non-Domestic Rating (Discretionary Relief) Regulations 1989, the Council 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. Such a revocation or variation can only take effect at the end of a financial year. But, within these regulations, the Council may still (and will) make decisions which are conditional upon eligibility criteria. If a change in circumstances renders a property ineligible, the Council will amend the rate liability to reflect the loss of the relief.
- 3.23 In view of the above, when making an award for Heat Network Relief, the Council will ensure that the award will be subject to the property's continuing eligibility. If the use of the property changes so that it is no longer eligible, the relevant chargeable amount will be recalculated to reflect that fact.

4.0 Subsidy control

- 4.1 The Heat Network relief is subject to the UK's domestic and international subsidy control obligations. Businesses eligible for relief will need to fulfil any requirements in place to ensure compliance with those obligations in advance of, during, and after claiming relief.

5.0 Effect on the Council's Finances

- 5.1 As this is a Government led initiative, grants for the full amount awarded will be available through section 31 of the Local Government Act 2003.

6.0 Administration of Discretionary Relief

6.1 The following section outlines the procedures followed by officers in granting, amending, or cancelling discretionary relief and reduction. This is essentially laid down by legislation¹

Applications and Evidence

6.2 Heat Network Relief will be awarded automatically by the Council.

6.3 **The Council will provide this service and provide guidance free of charge. Ratepayers are encouraged to approach the Council direct and NOT pay for such services through third parties.**

Granting of relief

6.4 In all cases, the Council will notify the ratepayer of decisions via their rates demand and details will include:

- The amount of relief granted and the date from which it has been granted;
- The new chargeable amount; and
- A requirement that the applicant should notify the Council of any change in circumstances that may affect entitlement to relief.

6.5 This relief is to be granted from the beginning of the financial year in which the decision is made or when liability begins whichever is the later. It will end at the end of the financial year, when it is anticipated that Government will make Heat Network Relief a mandatory relief.

6.6 Variations in any decision will be notified to ratepayers as soon as practicable

7.0 Scheme of Delegation

Granting, Varying, Reviewing and Revocation of Relief

7.1 All powers in relation to reliefs are given under the Local Government Finance Act 1988, the Local Government and Rating Act 1997, the Local Government Act 2003, and the Localism Act 2011. However section 223 of the Local Government Act 1992 allows for delegation of decisions by the Council to Cabinet, Committees, Sub-Committees or Officers.

7.2 The Council's scheme of delegation allows for the Assistant Director Revenues and Benefits to award, revise or revoke any discretionary relief in line with this policy.

¹ The Non-Domestic Rating (Discretionary Relief) Regulations 1989

8.0 Reviews

- 8.1 Where the Council receives an appeal from the ratepayer regarding the granting, non-granting or the amount of any discretionary relief, the case will be reviewed by the Assistant Director Revenues and Benefits. Where a decision is revised, then the ratepayer shall be informed, likewise if the original decision is upheld.
- 8.2 Where the ratepayer wishes to appeal the decision, the case will be considered by the Council's Section 151 Officer whose decision on behalf of the Council will be final.
- 8.3 Ultimately the formal appeal process for the ratepayer is Judicial Review although the Council will endeavour to explain any decision fully and openly with the ratepayer.

9.0 Reporting changes in circumstances

- 9.1 Where any award is granted to a ratepayer, the Council will require any changes in circumstances which may affect the relief, to be reported as soon as possible or in any event within 21 days of the change. This will be important where the change would result in the amount of the award being reduced or cancelled.
- 9.2 Where a change of circumstances is reported, the relief will, if appropriate, be revised or cancelled as appropriate. Where any award is to be reduced, the Council will look to recover the amount from the date the change of circumstances occurred.

10.0 Fraud

- 10.1 Where a ratepayer falsely applies for any relief, or where the ratepayer provides false information, makes false representation, or deliberately withholds information in order to gain relief, prosecutions will be considered under the Fraud Act 2006.