

<b>Individual Mayoral Decision</b>  <b>9<sup>th</sup> April 2020</b>	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Neville Murton, Corporate Director of Resources (s151 Officer)	<b>Classification:</b> Unrestricted
<b>The Council's financial response to the Corona virus (COVID-19)</b>	

<b>Lead Member</b>	<b>Councillor Candida Ronald, Cabinet Member for Resources and the Voluntary Sector</b>
<b>Originating Officer(s)</b>	Kevin Bartle, Interim Divisional Director of Finance, Procurement & Audit
<b>Wards affected</b>	All wards
<b>Key Decision?</b>	Yes – urgency provisions applied
<b>Forward Plan Notice Published</b>	3 April 2020
<b>Reason for Key Decision</b>	Financial Threshold
<b>Strategic Plan Priority / Outcome</b>	n/a

### Executive Summary

This report sets out the first of a number of actions that are being carried out or are being planned by Tower Hamlets Council to support the borough through:

- the creation of a Service Investment Fund to pay for additional pressures caused by the Council's response to COVID-19;
- ensuring all new reliefs, discounts, grants and reductions are applied to all accounts for both residents and businesses throughout the borough;
- introducing a more flexible approach to income collection and enforcement to residents, businesses and other customers and users of council services;
- use existing processes to inform and update residents and businesses about new and existing reliefs, discounts, grants and reductions available to them;
- setting up Community Mobilisation arrangements; and,
- changes to cash flow options to ensure current providers have funds in place to deliver key services.

## **Recommendations:**

It is recommended to:

- 1) Approve the creation of a COVID-19 Service Investment Fund (SIF) to the value of £10.5m to be funded from the new COVID-19 Emergency Funding grant, to be utilised to fund the costs associated with the Council's response to COVID-19, as set in section 3.2.
- 2) Delegate authority to the Director, Corporate Resources (Section 151 officer) to implement the allocation of the SIF.
- 3) Introduce the 4-point plan (general measures) to assist all Business Rate, Council Tax and other customers including flexible payment plans and the suspension of enforcement action (until such time as the withdrawal by the Secretary of State for Health and Social Care of the declaration that coronavirus poses a serious and imminent threat to public health) to be replaced with information on new reliefs, grants and discounts and signposting for those struggling to pay.
- 4) Introduce the specific measures in section 3.3 including the ability for self-employed people residing in the borough of Tower Hamlets to defer payment of their Council Tax initially for a period of up to 3 months.
- 5) Endorse the principle that all current providers of essential services to Tower Hamlets Council will continue to be paid on the basis of them providing the contracted service regardless of their temporary inability to fulfil their contractual obligations and delegate the authority to determine the providers to whom this applies to the Corporate Director, Resources (Section 151 officer).
- 6) Endorse the introduction of flexible payment terms to providers and suppliers to support their cash flow requirements as set out in section 3.4.
- 7) Delegate authority to the Corporate Director, Resources (Section 151 officer), in liaison with the Divisional Director of Legal Services, to execute any contract extension and variations, as set out in section 3.18.5.

## **1. REASONS FOR THE DECISIONS**

- 1.1 These decisions need to be made now in order to provide support to vulnerable people, residents and businesses during the initial period of the spread of COVID-19, which will have direct impacts on the most vulnerable as well as wider financial impacts on residents and businesses. The political and officer leadership of the Council are acting together daily to respond to the crisis and mitigate the effect where possible, working in close partnership across the Borough for example with the Clinical Commissioning Group (CCG) and Tower Hamlet Homes (THH).

- 1.2 This report is intended to cover Tower Hamlets Council's initial financial response. As the impact of COVID-19 is better known and the adverse effects better understood, further action may be needed and this will be reported to Members.

## **2. ALTERNATIVE OPTIONS**

- 2.1 COVID-19 is having a profound and immediate impact on the health and wellbeing of the nation, including Tower Hamlets residents. At this critical time, the Council has a broad range of statutory responsibilities to its residents and businesses and the Mayor, Members and senior officers are all acting to ensure that residents and businesses are supported through this difficult time.
- 2.2 The Council has also been given some Government funding to support the cost of that response, which is set out in this report. The response is the most effective way forward; having considered what can be done to mitigate the impact of the COVID-19 in the short term.

## **3. DETAILS OF THE REPORT**

### **3.1 BACKGROUND**

- 3.1.1 The March 2020 Budget announced a series of immediate measures to support the COVID-19 response as follows:

- a) £12bn will be provided to help alleviate the crisis, including a £5bn emergency response fund for the NHS and Local Authorities and a £500m hardship fund related to existing Council Tax Support schemes. In relation to the £5bn nationwide fund, of which Local Authorities are receiving £1.6bn, Tower Hamlets Council received £10.5m (£10,448,682) on the 27<sup>th</sup> March 2020. Tower Hamlets Council will also receive £4,382,100 in respect of the hardship fund.
- b) Business Rates Relief - to support businesses affected by COVID-19 the following retail relief will be available in 2020/21 which will be funded by S31 grant, with billing costs expected to be covered by new burdens funding:
  - those with a rateable value (RV) under £51k in the retail, leisure, and hospitality sectors being given 100% relief;
  - those eligible for Small Business Rates Relief (SBRR – where the RV is under £15k) or Rural Rate Relief will receive a grant of £3k; and,
  - the discount extended to £5k for pubs with an RV under £100k.

Almost immediately these benefits were revised by the government as set out below.

- 3.1.2 On 17 March, the Chancellor announced a broad range of financial support across the whole economy and a number of these measures included grant and funding arrangements, with implications for local government. These included:
- a) a £10k grant to recipients of Small Business Rate Relief (with RV's less than £15K) replacing the £3k set out above; and
  - b) a £25k grant to businesses in receipt of Retail Relief (those business set out above with a RV under £51k).
- 3.1.3 The Chancellor also announced the introduction of a twelve month business rates 'holiday' for all shops, pubs, theatres, music venues, restaurants and any other hospitality or leisure business regardless of RV. Qualifying properties will pay no business rates in 2020/21. The separate pub relief will now be deleted as pubs will qualify for relief under the enhanced retail relief, which will mean that they will also pay no business rates.
- 3.1.4 The retails, leisure and hospitality reliefs are worth £98m to Tower Hamlets businesses; the grants are worth £81m to Tower Hamlets businesses.
- 3.1.5 The Education minister also announced on 18 March that to support registered nurseries at this time, they will now be eligible for a business rates holiday for one year and receive 100% relief. That means non-local authority providers of childcare will pay no business rates in 2020/21, from 1 April.
- 3.1.6 In relation to Business Rates Relief, the government estimates that the temporary measures, taken with existing SBBR, mean that around 900,000 properties, or 45% of all properties in England, will receive 100% business rates relief in 2020/21.

Further measures directly supporting individuals and businesses announced were:

- Further support was announced for individuals, with a three month mortgage payment holiday for those who need it, and new forms of employment support to be developed.
- £330bn of guarantees have been made available from the government, to allow any business to borrow on favourable terms.
- Government to fund 80% of wages up to £2,500 per month for employees of companies or organisations.

## 3.2 **COVID-19 Emergency Funding for Local Government**

- 3.2.1 The Government has allocated £10.5m to Tower Hamlets Council and expects that the funding will be used to fund pressures that will emerge across all services, but it has stated that the funding should specifically enable local authorities to:

- Meet the increased demand for adult social care and enable councils to provide additional support to social care providers;
- Remove the possibility of “boundary issues” in relation to the CCG. Tower Hamlets Council has agreed to use its brokerage service to fund some costs of early discharge with the CCG and await reimbursement from the CCG;
- Meet the cost of extra demand and higher business-as-usual costs of providing children’s social care, including as a result of school closures and the need for increased accommodation to address the need for isolation, including for unaccompanied asylum-seeking children;
- Provide additional support for the homeless and rough sleepers, including where self-isolation is needed in addition to the £3.2m emergency fund announced on 17th March to help rough sleepers, or those at risk of rough sleeping, to self-isolate (Tower Hamlets Council has separately been awarded £13,000);
- Support those at higher risk of severe illness from COVID-19, who have been asked to self-isolate in their homes for the duration of the pandemic. This funding is available to support initial costs incurred in supporting those within the most clinically high-risk cohort who also have no reliable social network (i.e. who are both at high risk clinically and socially); and,
- Meet pressures across other services, as a result of reduced income, rising costs or increased demand.

3.2.2 The Council recognises that the COVID-19 response will cause significant additional budget pressures and it has decided to create a Service Investment Fund (SIF), using the Government Grant. It is recommended that the SIF is allocated as follows:

Adult Social Care	£8.0m (£7,948,682)
Place, including Homelessness	£1.0m
Children’s	£0.5m
Other Services	£1.0m
<b>Total</b>	<b>£10.5m (£10,448,682)</b>

3.2.3 The Council will administer the SIF carefully, to ensure that the best value for money is achieved in the current circumstances and to ensure that the processes guard against fraud. Detailed records will be kept of additional expenditure. Funds will be allocated on a monthly basis to Directorates, with pre-approval being required for any costs in excess of £10,000 which relate to additional costs directly attributable to COVID-19 and therefore not included in pre-existing budgets.

3.3 **Income - Business Rates, Council Tax, Social Care, Commercial Rent and Other Debtors**

**General Measures (4-point Plan)**

3.4 The Council currently operates a 4-point plan for any customers who contact the Council with financial hardship / problems requiring immediate payment, details of which are set out in the table below.

Table 1: General Measures (4-point Plan)

Steps	Summary of steps
<p>1. Debt Advice</p>	<p>For individual debtors Local Taxation and Accounts Receivable Team (LT&amp;AR) signpost all cases to council's debt advice partners Toynbee Hall Debt Advice Agency, the CAB, Island Advice Centre and Tower Hamlets Community Network Advice (<a href="http://www.thcan.org.uk">www.thcan.org.uk</a>) who are the Council's partners that provide this advice free of charge.</p> <p>Many of the customers who will be experiencing financial hardship with Tower Hamlets Council due to the impacts of COVID-19 will also have similar issues with utilities, rent / mortgage payments, credit card debts etc and the above agencies will provide an overall debt advice service.</p>
<p>2. Review Instalment Arrangements</p>	<p>Most of the Council's customers and Council Taxpayers are already set up on the extended 12 monthly scheme. These will remain in place but if taxpayers contact the council to defer payments pending the Government's 80% funding schemes for employees or self-employed, or have applied for support under the Council's Council Tax Reduction scheme, this will be fully supported.</p> <p>Business Rates are on a 10 monthly instalment scheme and this can be extended to 12 monthly instalment plan if requested.</p> <p>Revised plans can also be agreed for other invoices which cover reduced instalments for a short period or for specific cases.</p> <p>For commercial rent there are a number of options which could include a deferred rent payment scheme for a short term, initially for 3 months.</p>
<p>3. Enforcement action</p>	<p>The Council can suspend all recovery and enforcement action for cases for as long as it is deemed necessary.</p> <p>During this period, SMS, email and hard copy notices will continue to be sent out, but will be reworded to inform customers of their account balances, and to include information on how they can get help, what reliefs, discounts, grants, and reductions are available to them and how to claim them.</p> <p>Also links to the council's webpages on Business Support and what is available through the CTR scheme.</p> <p>In all cases the Council will not be looking to use external enforcement agents to pursue any debt.</p>

Steps	Summary of steps
4. Hardships	<p>The Government's announcement on the Council Tax Hardship Fund means that all recipients of working age local council tax support who still have a liability of £150 will receive up to an additional £150 meaning they will have nothing to pay.</p> <p>There is further support for self-employed and those who have now been made redundant through the Council's 100% CTR scheme and S13a discount process.</p> <p>For Business Rates there will be a review of all reliefs awarded to ensure all are in receipt of the new help available.</p> <p>For Council Tax it would be for us to ensure that they are aware of the Council Tax Reduction scheme and signpost them to the application process, either through our web pages or information notices to be sent out when instalments are missed.</p> <p>In severe cases there are legislative hardship schemes which effectively write off debt but this is to be a last resort option as the cost of doing so impacts the Council's long term financial viability.</p>

- 3.5 It is vital we do not discourage payment from those who have seen little or no change in their incomes, but this plan will be introduced to assist all Business Rate, Council Tax, Adult Social Care, Commercial Rent and other council customers and the legislative enforcement processes will be suspended.

### **Business Rates**

- 3.6 The March Budget announced significant additional support for local businesses through a number of enhanced or new reliefs which are shown below in Table 3. Most of the reliefs are targeted at low value RV and properties in the retail, leisure and hospitality sector.
- 3.7 However, the Council will target those other businesses who do not qualify for reliefs and who may have RV's of less than £51K for support and guidance. Most of the properties in Tower Hamlets fall into this lower bracket.

*Table 2: Analysis of Business Rate Properties*

Tier	RV Range	Number of Properties	Total RV	Total Gross Charge
0	Nil	811	0	0
1	£1 to £50,999	14,979	173,932,845	£71,616,256.46
2	£51,000 to £99,999	1,107	78,431,950	£34,569,500.58
3	£100,000 plus	1,333	790,047,950	£372,325,354.77

- 3.8 Upon suitable evidence of hardship, the Council will provide businesses (where necessary) who do not qualify for rate relief in tier 1 and tier 2 the offer

of an extension to instalment arrangements and to pay as much as possible in the short term, as all recovery and enforcement action is temporarily suspended.

It will, of course, be in the interest of the businesses to maintain payments if possible, as debts will quickly build up.

Table 3: Summary of known Business Rates Measures Announced by Government

Measure	Details	Approx. Financial Value	Current Situation	Likely payment / receipt date
<b>Extended Retail Relief</b>	Relief of 100% for all qualifying retail, leisure and hospitality properties including public house.	£98m for identified Retail Relief cases	New software received and tested, existing and new cases have been identified and revised billing completed. New NNDR1 data being supplied to ensure funding received through S31 Grant	Revised bills were sent out on 23 <sup>rd</sup> March 2020 awarding relief of £98m
<b>Small Business Grant</b>	Businesses who qualify for Small Business Rate Relief (many of whom already have no rates liability) will now get a grant of £10k per property	£40m grant in addition to reductions to Business Rate bills of £8.9m  Tower Hamlets has 9,270 businesses paying no rates and a further 1,116 paying reduced rates.	Qualifying criteria from government now received. Payments will start being arranged as close as possible to 1st April where bank details are known. Software needs to be fully tested. Need to be sure we are not in breach of European competition rules	Starting 1 April 2020
<b>Retail Property Grant</b>	The properties already identified as being in receipt of Retail Relief and having an RV below £51k will receive a grant payment of £25k	£41m grant in addition to reduction to Business Rate Bills of £1.6m	Qualifying criteria from government now received. Payments will start being arranged as close as possible to 1st April where bank details are known. Software needs to be fully tested. Need to be sure we are not in breach of European competition rules	Starting 1 April 2020

Measure	Details	Approx. Financial Value	Current Situation	Likely payment / receipt date
<b>Nursery Relief</b>	Relief of 100% for all registered nurseries.	£627k for 39 businesses	Awaiting software updated	Will re-bill during April

### **Council Tax**

- 3.9 In addition to the general measures set out above, where residents are struggling to pay, the team will signpost all cases to the Council Tax Reduction and Benefits Teams, and web pages, to provide individuals with appropriate support and guidance.
- 3.10 The use of any further hardship funds will be maximised alongside existing hardship funds covered within the Council's 'Council Tax Reduction' scheme. The Council has a very supportive Council Tax Support scheme available for all residents who meet the criteria to access this discount. Residents should contact the Council to ensure they are receiving the support they are entitled to. Many residents will not have had to contact the Council before on such matters but officers will be ready and waiting to assist.
- 3.11 In addition to the above, upon suitable evidence of hardship, the Council will provide residents liable for Council Tax (where necessary) who do not qualify for Council Tax support:
- the option to pay as much as they can over the next 3 months, with no recovery or enforcement action being taken.
- 3.12 Specifically, for self-employed people who live and pay Council Tax in the London Borough of Tower Hamlets, the Council will make available:
- the ability to defer the payment of Council Tax liabilities for a duration of up to 3 months. Self-employed people will need to provide all necessary information as requested to ensure this entitlement can be provided.

### **Adult Social Care (ASC) Income**

- 3.13 Although invoices will continue to be sent out where assessments have been made, no follow up action will be taken at this time.

### **Corporate Collections (Other Debtors)**

- 3.14 This service collects a wide range of debts for many different council services. Invoices will continue to be sent out where requested, but no follow up action will be taken at this time.

### **3.15 Suppliers and Cash Flow**

- 3.15.1 The Council commits in principle to continue to pay all existing essential service providers regardless of their ability to provide the full range of services

that they would under normal operating circumstances. This commitment will help to ensure these vital service suppliers will be able to keep operating under such a difficult environment. Cash flow is key to providers being able to keep operating during challenging times. Many of the Councils' providers and suppliers will face very significant challenges during these uncertain times, placing considerable stress that could not be planned for upon their businesses.

3.15.2 The Council has both the capacity and the ability to access and provide cash to ensure its own obligations are met and can, at times such as these, consider making available enough cash supply to ensure the obligations of its providers are supported. This is still the case, even though the Council's own financial position and cash flow will be negatively impacted. Where this stress is being felt by existing providers of the Council's essential services, the Council will put in place more flexible payment terms to support their cash flow, by varying existing payment terms by bringing these forward and can include but is not limited to the following:-

- Changing payment terms to specified providers from the Council's standard duration to shorter payment period, e.g. from 28 days to 10 days; or immediate period, e.g. from 28 days to 0 days; or
- Changing from payment in arrears to payment in advance, e.g. payment of one month's supply of goods/service in advance/arrears up to a maximum of three months in advance.

3.15.3 The Procurement team are working with services to identify contracts including those with voluntary organisations who may need a temporary change in payment terms. These changes will be approved by the Corporate Director, Resources (s151 Officer) on a case by case basis.

3.15.4 For businesses that do not have a contract with the Council, the c£330bn loan and guarantee facility announced by the Chancellor should provide the cash-flow support necessary for businesses. £330bn of guarantees have been made available from the government, to allow any business to borrow on favourable terms. The Bank of England will provide commercial paper to large businesses as a funding source; this initiative was published by the Bank of England on the 18 March. The British Business Bank scheme announced in the budget would be extended to offer guarantees on loans of up to £5m (including an initial six months interest-free) for small and medium businesses. This scheme is still being developed with lenders, and, in the first instance, businesses are advised to apply for finance in the usual way from a bank.

### 3.16 **Tower Hamlets Homes**

3.16.1 Tower Hamlets Homes has the responsibility for collecting rents and service charges on the Council's behalf. Tenants and Leaseholders have recently received their notifications advising them what they need to pay. Apart from the suspension of evictions the government have not announced any specific assistance for tenants and leaseholders. Given the ring fenced nature of the

HRA it will not be feasible to offer rent or service charge holidays without specific government support.

3.16.2 The pressure on the universal credit system will have an impact on the ability of some tenants to pay rent in the short to medium term. The arrears process will therefore be suspended and we will instead be making contact with individual tenants to offer support and advice and will take a flexible approach to rent collection while UC is put into payment. This includes phone appointments with the Financial Health Centre advisors.

3.16.3 No estimates for major works have been sent out this year which will reduce the amount to be paid for some leaseholders. For all leaseholders we will take a similarly flexible approach to collecting the charges due over the next few months. THH also employ a Financial Inclusion officer to assist leaseholders. The Council also have a range of payment options for major works charges and will work with Leaseholders to identify the most preferential option.

### **3.17 Community Mobilisation Arrangements**

3.17.1 The Council is working closely with the voluntary and community sector and multi-faith organisations in Tower Hamlets to support residents. The Council's Community Mobilisation arrangements are constantly evolving and focussed on those who are vulnerable and are isolated, need food and/or experiencing hardship; and residents who want to help others and organisations that need help to support others.

3.17.2 Much of the support has been working with partners to provide consistent information, advice and guidance to residents about the support on offer by the council and other organisations, but the Council has taken direct action e.g. for the last two weekends, food vouchers and emergency prepaid cards have been used by the Out of Hours social work team, Telecare service and Reablement officers for those vulnerable people who need food. The Council has also been working to ensure that rough sleepers are able to self-isolate in hotels.

3.17.3 The Council has notified providers that during the next three months, they will continue to receive funding and must adapt activities to support the borough's response to Covid 19. This includes Local Community Fund and Small Grants funding streams, as well as all other commissioned and grant funded services and the Council are currently in contact with providers about what their adapted response will be. Tower Hamlets have promoted a three-month rent holiday for VCS organisations in specific council buildings and officers will identify these organisations.

3.17.4 The Council has signed the London funders' pledge setting out its commitment to supporting VCS organisations at this time and is working closely with THCVS on wider matters relating to the sector including promoting national, regional and local funding as well as access to IT for the sector.

### 3.18 **Procurement and Contracts**

- 3.18.1 The Government has issued guidance on procurement practices that can be legally utilised to offset the impact of the Coronavirus outbreak on supplies, services and works contracts.
- 3.18.2 A number of steps have already been taken in light of feedback from the supplier market and their ability to respond to tenders, including extension of time for submission of tenders, non-urgent procurement postponed or deferred.
- 3.18.3 Whilst the above actions are helping to ensure service continuity across our lower value contracts, a considerable number of procurements will need to continue to meet statutory obligations and other legal obligations such as grant agreements and/or the potential for the Council to suffer significant financial and or reputational loss.
- 3.18.4 Where there is already a contract in place either awarded through the council's Request for Quotation (RFQ) process or other routes, the Public Contracts Regulations allow for an extension "*where all of the following conditions are fulfilled*"
- (i) The need for modification has been brought about by circumstances which a diligent contracting authority could not have foreseen (the pandemic satisfies this requirement);
  - (ii) The modification does not alter the overall nature of the contract; and,
  - (iii) Any increase in price does not exceed 50% of the value of the original contract or framework agreement.
- 3.18.5 Upon review of current tendering activities, contracts forward plan, and for the reason presented above, it is requested that the decision to extend contracts for up to twelve months or vary existing contracts in accordance with procurement regulations be delegated to the Corporate Director, Resources in liaison with Divisional Director of Legal Services.
- 3.18.6 All extensions and variations will be scrutinised through the internal Strategic Procurement Board (Chaired by the Corporate Director of Resources) to ensure funding availability, continued need and compliance with Public Contracts Regulations.

### 3.19 **The Financial impact of COVID-19 on Tower Hamlets Council**

- 3.19.1 The Council's budget is likely to experience significant pressure over 2020/21. Impacts that have been identified that are being initially assessed include but are not limited to:
- Loss of income from Business Rates, Council Tax, traded services, fees and charges and commercial income;
  - Certain planned savings for 2020/21 may not now be achieved in full;

- Increased costs as a result of contracts being extended not re-procured;
- Costs relating to the deferral of some parts of the capital programme; and,
- Any additional service costs that cannot be contained within the Government's COVID-19 grant.

3.19.2 The financial impact of COVID-19 and its effect on the Council's finances will be kept under continuous review and reported to Members.

#### **4 COMMENTS OF THE CHIEF FINANCE OFFICER**

4.1 As this report is primarily financial in nature the comments of the Chief Financial are contained within the body of the report

#### **5 COMMENTS OF LEGAL SERVICES**

5.1 The Council has the legal duty to make appropriate financial arrangements for the carrying out of its statutory functions as discharged by the Corporate Director – Resources in his statutory role. The greater part of this report (up to and including paragraph 3.17) relates to such financial arrangements and are therefore activities that the Council's has the legal power to undertake.

5.2 Central Government has introduced legislation and guidance relating to the measures referred to in this report. The activities referred to in this report are compatible with that legislation and guidance.

5.3 The activities described at 3.18 (Procurement And Contracts) are compliant with the latest Public Procurement Notices 1, 2 and 3.

5.4 In particular it is considered to be Best Value to ensure that essential suppliers (who are considered at risk) continue to have an ability to supply until such time as the withdrawal by the Secretary of State for Health and Social Care of the declaration that coronavirus poses a serious and imminent threat to public health. Therefore, it is compliant with the Council's Best Value Duty to focus on ensuring continuity of payment and the relaxation of performance standards.

5.5 The contracts to which extensions may need to be applied potentially belong to all service areas. However, under the Constitution the Mayor is entitled to delegate to one Chief Officer (in this case the Corporate Director – Resources) the ability to authorise the extension of the contracts if he so wishes.

### **Linked Reports, Appendices and Background Documents**

#### **Linked Report**

- None

**Appendices**

- None

**Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012**

- None

**Officer contact details for documents:**

N/A