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EXECUTIVE

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Supplementary report

1 BUDGET MONITORING 2019/20 (Pages 3 - 10)

Copies of the documents referred to above can be obtained from
<http://cds.bromley.gov.uk/>

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Supplementary Information – Part One

Report No. FSD20036

Budget Monitoring 2019/20

Government Response to COVID-19 – Financial Support to Local Government

2.1. Recommendations:

Hardship Fund

- (s) Note the additional one off Government ‘Hardship Fund’ grant of £1,841,229;
- (t) Agree the utilisation of the grant funding to increase the council tax support paid by the Council by £150 (equivalent annual cost), with a corresponding reduction in the claimants contribution;
- (u) Agree that the balance of funding remaining is set aside to increase the Council Tax Support Hardship fund;
- (v) Subject to approval of (s) to (u) above agree to delegate the utilisation of any additional funding to the Director of Finance with the agreement of the Portfolio Holder for Resources, Commissioning and Contract Management;

Funding to support social care and other costs

- (w) Note the additional Government funding of £7,572,304 to respond to COVID-19 pressures including care for the vulnerable;
- (x) Agree to delegate the utilisation of the additional funding to the Chief Executive with any single financial commitment of over £100k being in agreement with the Leader of the Council;

Support to Businesses

- (y) Note the changes to support businesses funded from Government Section 31 Grant as detailed in section 3.

SUPPORTING INFORMATION

1. Hardship Fund

- 1.1 Details of the Government funding relating to council tax support and the hardship fund to cover the current COVID-19 situation are included in the link below:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/874867/COVID-19_Council_Tax_Hardship_Fund_Guidance.pdf

- 1.2 The Government have allocated one off funding of £500m nationally which equates to funding of £1,841,229 for Bromley. The Council currently has around 8,800 claimants for council tax support (working age) and around 5,500 claimants (older people).

- 1.3 Older people, who are eligible for council tax support, receive up to 100% funding support from the Council for their council tax. Working age claimants are required to make a contribution of up to 25% towards council tax if they are eligible for council tax support (the Council currently contributes up to 75%).
- 1.4 The guidance refers to the Government's '*strong expectation is that billing authorities will provide all recipients of working age local council tax support (LCTS) during the financial year 2020-21 with a further reduction in their annual council tax bill of £150*'.
- 1.5 If Members wanted to progress with the £150 payment option there is a potential cost, based on current claimant numbers of £1,320,000 leaving a balance of £521,229 to fund other means of support. However, there will also be potential additional costs relating to increases in claimant numbers during the current COVID-19 period which would reduce the balance of funding remaining. After allowing for changes in caseload and any associated contract costs in changing the scheme the cost of any remaining funding should be used to increase the local council tax support hardship fund (currently £100k per annum. It is however important to recognise that the temporary funding relates to 2020/21 only.
- 1.6 There may continue to be further changes and revised Government guidance to reflect the ongoing COVID-19 situation and it is proposed that subject to the proposals in this report the utilisation of any additional funding is delegated to the Director of Finance with the agreement of the Portfolio Holder for Resources, Commissioning and Contract Management

2. Funding to Support Social Care and Other Costs

- 2.1 Details of the non recurring Government funding relating to support for social care and the cost impact on other council services are included in the link below:

<https://www.gov.uk/government/news/2-9-billion-funding-to-strengthen-care-for-the-vulnerable>

- 2.2 The Government has allocated one off funding of £1.6 billion nationally which equates to funding of £7,572,304 for Bromley.
- 2.2 The funding comes from the £5 billion fund announced in the Chancellor's budget on 11th March 2020. Out of the total of £5 billion nationally £1.6 billion is being distributed to local authorities to help them respond to other coronavirus (COVID-19) pressures across all the services they deliver. This includes increasing support for the adult social care workforce and for services helping the most vulnerable, including homeless people. The grant is not ring fenced and is in recognition of local authorities facing significant financial pressures across many service areas due to the COVID-19 situation.
- 2.3 A separate sum £1.3 billion (out of total of £5 billion) will be used to enhance the NHS discharge process so patients who no longer need urgent treatment can return home safely and quickly which will have an impact on social care due to follow-on care costs, or people who need additional support, when they are out of hospital and back in their homes, community settings, or care settings.
- 2.4 The Government refers to the overall funding commitment helping to ensure the NHS and social care system, and other public services, have all the resources they need during the COVID-19 outbreak.
- 2.5 It is not possible to estimate the financial impact of COVID-19 on the Council's finances. There could be implications arising from income collection, cost pressures on children and

adult social care, impact on homelessness, delays in implementing planned savings, additional costs in supporting service providers delivering key council services as well as many other cost implications. The funding will be utilised across many service areas. It is recommended that the utilisation of the additional funding is delegated to the Chief Executive and that any single commitment over £100k would require the agreement of the Leader of the Council.

3. Other Changes

3.1 The Council will receive additional grant funding to provide grants to businesses as follows:

- £10,000 to all retail/leisure/hospitality type properties in receipt of Retail Discount, with a rateable value up to £15,000;
- £10,000 to businesses who currently claim Small Business Rate Relief or Rural Rate Relief with a rateable value below £15,000;
- £25,000 to all retail/leisure/hospitality type properties which would have qualified for Retail Discount with a rateable value between £15,001 and £51,000.

The Government had stated that the grant payments will be administered by local authorities.

3.2 It should be noted that the funding will not capture businesses that are not directly paying business rates. Government guidance states that 'businesses which are not ratepayers in the business rates system are not included in this scheme'.

3.3. The Government has committed to fully fund the cost of the grants through a Section 31 payment to local authorities.

3.4. The Chancellor announced in his Budget on 11th March new business rate reliefs/discounts and there have been further changes announced arising from COVID-19 situation. Details are attached in Appendix 1. The Council receives a share of income from business rates as part of its Settlement Funding Assessment, determined by Government. The reduction in income will be fully compensated from Section 31 Grant funding from Government.

3.5 There may be further Government announcements introducing changes which could impact on the costs and funding for local authorities as the COVID-19 situation continues. This supplementary paper refers to the main changes at the present time.

Business Rates Expanded Retail Discount 2020/21 – announcements up to 25th March 2020

Properties that will benefit from relief

Properties that will benefit from the relief will be occupied hereditaments that are wholly or mainly being used:

- a) as shops, restaurants, cafes, drinking establishments, cinemas and live music venues,
- b) for assembly and leisure; or
- c) as hotels, guest & boarding premises and self-catering accommodation.

Shops, restaurants, cafes, drinking establishments, cinemas and live music venues means:

i. Hereditaments that are being used for the sale of goods to visiting members of the public:

- Shops (such as: florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, off licences, chemists, newsagents, hardware stores, supermarkets, etc)
- Charity shops
- Opticians
- Post offices
- Furnishing shops/ display rooms (such as: carpet shops, double glazing, garage doors)
- Car/caravan show rooms
- Second-hand car lots
- Markets
- Petrol stations
- Garden centres
- Art galleries (where art is for sale/hire)

ii. Hereditaments that are being used for the provision of the following services to visiting members of the public:

- Hair and beauty services (such as: hairdressers, nail bars, beauty salons, tanning shops, etc)
- Shoe repairs/key cutting
- Travel agents
- Ticket offices e.g. for theatre
- Dry cleaners
- Launderettes
- PC/TV/domestic appliance repair
- Funeral directors
- Photo processing
- Tool hire
- Car hire
- Employment agencies
- Estate agents and letting agents
- Betting shops

iii. Hereditaments that are being used for the sale of food and/or drink to visiting members of the public:

- Restaurants
- Takeaways
- Sandwich shops
- Coffee shops
- Pubs
- Bars

iv. Hereditaments which are being used as cinemas

v. Hereditaments that are being used as live music venues:

– Live music venues are hereditaments wholly or mainly used for the performance of live music for the purpose of entertaining an audience. Hereditaments cannot be considered a live music venue for the purpose of business rates relief where a venue is wholly or mainly used as a nightclub or a theatre, for the purposes of the Town and Country Planning (Use Classes) Order 1987 (as amended).

– Hereditaments can be a live music venue even if used for other activities, but only if those other activities (i) are merely ancillary or incidental to the performance of live music (e.g. the sale/supply of alcohol to audience members) or (ii) do not affect the fact that the primary activity for the premises is the performance of live music (e.g. because those other activities are insufficiently regular or frequent, such as a polling station or a fortnightly community event).

There may be circumstances in which it is difficult to tell whether an activity is a performance of live music or, instead, the playing of recorded music. Although we would expect this would be clear in most circumstances, guidance on this may be found in Chapter 16 of the statutory guidance issued in April 2018 under section 182 of the Licensing Act 2003.2

Assembly and leisure means:

i. Hereditaments that are being used for the provision of sport, leisure and facilities to visiting members of the public (including for the viewing of such activities).

- Sports grounds and clubs
- Museums and art galleries
- Nightclubs
- Sport and leisure facilities
- Stately homes and historic houses
- Theatres
- Tourist attractions
- Gyms
- Wellness centres, spas, massage parlours
- Casinos, gambling clubs and bingo halls

ii. Hereditaments that are being used for the assembly of visiting members of the public.

- Public halls
- Clubhouses, clubs and institutions

Hotels, guest & boarding premises and self-catering accommodation mean:

i. Hereditaments where the non-domestic part is being used for the provision of living accommodation as a business:

- Hotels, Guest and Boarding Houses
- Holiday homes
- Caravan parks and sites

To qualify for the relief the hereditament should be wholly or mainly being used for the above qualifying purposes. In a similar way to other reliefs (such as charity relief), this is a test on use rather than occupation. Therefore, hereditaments which are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the relief. For the avoidance of doubt, hereditaments which have closed temporarily due to the government's advice on COVID19 should be treated as occupied for the purposes of this relief.

The list set out above is not intended to be exhaustive as it would be impossible to list the many and varied uses that exist within the qualifying purposes. There will also be mixed uses. However, it is intended to be a guide for authorities as to the types of uses that the Government considers for this purpose to be eligible for relief. Authorities should determine for themselves whether particular properties not listed are broadly similar in nature to those above and, if so, to consider them eligible for the relief. Conversely, properties that are not broadly similar in nature to those listed above should not be eligible for the relief.

Properties that will not benefit from relief

The list below sets out the types of uses that the Government does not consider to be an eligible use for the purpose of this relief. Again, it is for local authorities to determine for themselves whether particular properties are broadly similar in nature to those below and, if so, to consider them not eligible for the relief under their local scheme.

i. Hereditaments that are being used for the provision of the following services to visiting members of the public

- Financial services (e.g. banks, building societies, cash points, bureaux de change, short-term loan providers)
- Medical services (e.g. vets, dentists, doctors, osteopaths, chiropractors)
- Professional services (e.g. solicitors, accountants, insurance agents/ financial advisers)
- Post office sorting offices

ii. Hereditaments that are not reasonably accessible to visiting members of the public

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, a precepting authority, or a functional body, within the meaning of the Greater London Authority Act 1999.

The amount of relief available

The total amount of government-funded relief available for each property for 2020/21 under this scheme is 100% of the bill, after mandatory reliefs and, other discretionary reliefs funded by section 31 grants have been applied, excluding those where local authorities have used their wider discretionary relief powers introduced by the Localism Act which are not funded by section 31 grants.

State Aid

Whilst the UK left the EU on 31 January 2020, the Withdrawal Agreement negotiated by the Government and the EU provides that during a transition period State aid rules will continue to apply as now and will be subject to control by the EU Commission as at present.

The Government has notified the EU of its intention to bring forward an immediate change to the UK's tax treatment of non-domestic property, in response to the ongoing Covid-19 emergency, and to seek clearance under Article 107(3)(b) of the Treaty on the Functioning of the European Union. Subject to this approval, the Expanded Retail Discount scheme will become a notified State aid. Authorities should prepare to award the discount ignoring de minimis limits and MHCLG will inform them of the outcome of the notification as soon as it is known.

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