

## BABERGH DISTRICT COUNCIL

<b>TO:</b> Cabinet	<b>REPORT NUMBER:</b> BCa/20/34
<b>FROM:</b> Councillor John Ward, Cabinet Member for Finance	<b>DATE OF MEETING:</b> 4 February 2021
<b>OFFICER:</b> Katherine Steel, Assistant Director, Corporate Resources	<b>KEY DECISION REF NO.</b> <u>Item No.</u>

### COUNCIL TAX HARDSHIP FUND

#### 1. PURPOSE OF REPORT

- 1.1 The Council was given money by Government for a Covid19 Council Tax Hardship Fund up to 31<sup>st</sup> March 2021. The core use of this was to give a discount of up to £150 to any working age household in receipt of Local Council Tax Support.
- 1.2 The Local Council Tax Reduction Scheme (LCTRS) allows up to 95% discount on the council tax payable to the most financially vulnerable residents. This means that many residents have less than £150 council tax to pay for the year and the Hardship Fund applied has fallen short of the funds available.
- 1.3 This report seeks to amend the use of the Hardship Fund to ensure that it is allocated to the working age council taxpayers most in need of support by 31<sup>st</sup> March 2021.

#### 2. OPTIONS CONSIDERED

- 2.1 Option 1 – Designate additional funds to Discretionary Housing Payments (DHP).

This option is not recommended as there is no need to put additional money into this fund now because there is still an unspent balance of £20k or 14% of the allocation from the Government for 2020/21.

- 2.2 Option 2 - Designate additional sums to Discretionary Financial Assistance (DFA) and use these awards to clear council tax arrears.

Making awards of DFA for customers who have arrears would improve the position of the Collection Fund but would penalise those who have made arrangements to bring their debt under control and would set an expectation in relation to future arrears. For this reason, it is not the preferred option.

- 2.3 Option 3 - Increase the award from the Hardship Fund from 'up to £150' to an amount that exhausts the fund.

This is the preferred option because it would apply additional funds to any working age LCTRS customer who had a liability in the year 2020/21 and a balance to pay after LCTRS and any discounts/reliefs had been applied.

Residents have different amounts to pay depending on their entitlement to LCTRS, their property banding and who else lives with them. Allowing a higher allocation

from the Hardship Fund would mean more residents had less council tax to pay for the year 2020/21.

<b>3. RECOMMENDATIONS</b>
3.1 That the award from the Hardship Fund is increased from 'up to £150' to an amount that exhausts the fund and is made to all working age Local Council Tax Reduction Support cases with a liability for 2020/21.
3.2 That any residual balance, after applying the additional award, is used to fund Discretionary Financial Assistance for residents in exceptional circumstances.
<b>REASON FOR DECISION</b>
To ensure that the Hardship Fund is fully spent by 31 <sup>st</sup> March 2021 thereby aiding those working age LCTRS taxpayers most in need of support.

#### 4. KEY INFORMATION

- 4.1 Early in 2020/21, after the impact of Covid-19 was beginning to be seen, the Council was given an allocation of money, called the Hardship Fund, from Government to support working age households in receipt of LCTRS to pay their council tax bills.
- 4.2 The Council's allocation was £467,436 and the Government guidance was that the money should be used to provide up to £150 to relevant households.
- 4.3 The caseload for working age LCTRS cases has increased in 2020/21 due to several people being made redundant during the Covid-19 pandemic.

	1 <sup>st</sup> March 2020	1 <sup>st</sup> September 2020 (Peak)	1 <sup>st</sup> January 2021
Babergh	2,227	2,760 (+24%)	2,693

- 4.4 The initial award of up to £150 per household was applied to accounts in early May 2020 and has been automatically calculated on each new or amended liability thereafter. The current commitment of funds is as follows:

	Original Fund Allocation	Current Expenditure	Hardship Fund Payment (HFP) Balance
Babergh	£467,436	£319,779	£147,657 (c 32%)

The monthly awards are adding in the region of £7,500 per month.

- 4.5 The number of customers who have already benefitted from a Hardship Fund payment at 3,468 exceeds the current caseload. This is because residents move

on/off LCTRS and in/out of accommodation and often only qualify for a short period of time and consequently the caseload is constantly changing.

- 4.6 The country is now in a third national lockdown and the impacts on the caseload (and any future additional demand upon the Hardship Fund) cannot be fully known but it is reasonable to assume that a number of residents will be affected and claim LCTRS between now and 31<sup>st</sup> March 2021.
- 4.7 The current situation with regard to Council Tax for LCTRS residents is that:  
The total arrears for LCTRS cases is £536k;  
299 working age customers have arrears amounting to £166k (average of £555 per person);  
The largest open LCTRS case still owes £1,433.
- 4.8 In making the original grant allocation, the Government expected that billing authorities would primarily use their grant allocation to reduce the council tax liability of individuals in their area by up to £150, using their discretionary powers under s13A(1)(c) of the Local Government Finance Act 1992.
- 4.9 The Government confirmed that it is expected that the Hardship Fund grants made for 2020/21 are used in 2020/21 and that, whilst some residual monies may be carried forward into the next financial year, every effort should be made to apply the assistance in the current financial year.
- 4.10 Before determining any new way of allocating funds, it is important to ensure that sufficient funds are set aside to meet any new eligible liabilities. Any change to the caseload can only be estimated but based on the current rate of spending over the last 3 months, it is estimated that the funds required to meet the initial £150 minimum for all working age LCTRS residents will extend the commitment of funds by approximately £22.5k.
- 4.11 It is necessary to establish a way of distributing residual funds to council taxpayers in a way which is both fair and equitable, at a time which does not create confusion through unnecessary bills / notifications or require refunds of council tax account credits to be made and to clearly communicate the action taken and why.
- 4.12 Councils are also able to use residual funding to deliver increased financial assistance through other local support mechanisms, having considered local circumstances. This was considered as part of the options appraisal and for the reasons explained under Options 1 and 2 above was not the preferred recommendation.
- 4.13 An estimate as to the likely cost of increasing the awards above £150 has been calculated based on 'live' LCTRS cases taking into consideration their net liability for the year. These estimates do not include for accounts that have been live in 2020/21 but have since been ended or accounts where exemptions have been granted for part of the year.

	<b>2020/21 HFP Balance</b>	<b>Additional £100 (total £250)</b>	<b>Additional £150 (Total £300)</b>	<b>Additional £200 (Total £350)</b>	<b>Additional £250 (Total £400)</b>
		<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
<b>Babergh</b>	£147,657	£78,894	£112,984	£143,671	£171,780

- 4.14 Option B from the table above should prove sufficient to exhaust the fund and increase the total award for past, existing and new customers and allow for further new claims to be made up to the end of March 2021. The final level of award cannot be determined until the additional functionality is in place from the software provider. Any residual balance would be used to create funds for Discretionary Financial Assistance (DFA) to meet the needs of residents in ‘exceptional circumstances.’
- 4.15 The recommended course of action is that an additional top up award is made to all working age LCTRS cases with a liability for 2020/21. There is flexibility in the amount to be awarded to prevent any under/overspend of the total allocation for the Hardship Fund, as the figures in the table in paragraph 4.13 above are estimated at this stage.
- 4.16 It is intended that the additional relief is applied at the point that council tax is billed for 2021/22, in March 2021, which would have the effect of:
- reducing the overall council tax arrears balance for 2020/21
  - committing the residual funds in year and meet the original fund intention
  - clearing arrears for most customers who have arrears in 2020/21; and
  - for those customers who had paid, reducing the amount for them to pay in 2021/22 by rolling a credit into the next financial year
  - minimising the cost of administration and environmental impact, through reducing the number of bills required and the cost of postage.

## **5. LINKS TO CORPORATE PLAN**

- 5.1 The vision in the Joint Corporate Plan (2019-27) is to have ‘great communities with bright and healthy futures that everyone is proud to call home.’
- 5.2 The Joint Corporate Plan identifies six strategic priorities namely Environment, Economy, Housing, Communities, Well-Being, and Customers. Ensuring that the Hardship Fund is fully allocated to the relevant residents of Babergh in the manner of the recommendation will have some impact across all of these strategic priorities.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 As detailed in section 4 above.

## **7. LEGAL IMPLICATIONS**

- 7.1 Billing authorities can use their discretionary powers under s13A(1)(c) of the Local Government Finance Act 1992 to further reduce the amount of council tax payable after the Local Council Tax Reduction Scheme has been applied.

## 8. RISK MANAGEMENT

8.1 This report is not closely linked with any of the Council's Corporate / Significant Business Risks. Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
If the Hardship Fund is not fully allocated, then the Council will miss an opportunity to support working age council taxpayers during the Covid-19 pandemic and also reduce the level of outstanding council tax and will have to repay much needed funds to the Government.	2 - Unlikely	2 - Noticeable	Amend the parameters of the Hardship Fund to ensure full allocation.
If the number of LCTRS claimants increases significantly in the last quarter of the year, then the scheme could exceed the funding provided by the Government.	2 - Unlikely	2 – Noticeable	Flexibility within the amount of the additional payment to ensure the Council is not overcommitted. Payments made in March to ensure increase in cases allowed for.

## 9. CONSULTATIONS

9.1 Consultation has taken place with the Senior Leadership Team and the Shared Revenues Partnership.

## 10. EQUALITY ANALYSIS

10.1 An equality analysis has not been completed because this report is aimed at all working-age recipients of LCTRS which includes anyone who may share any of the protected characteristics.

## 11. ENVIRONMENTAL IMPLICATIONS

11.1 As detailed in paragraph 4.16 the intention is notify residents at the same time as council tax is billed for 2021/22, to minimise the number of bills sent to residents and hence the environmental impact of this and the postage.

## **12. BACKGROUND DOCUMENTS**

12.1 None