

Report of Head of Council Tax & Benefits

Report to Director of Communities & Environment

Date: 12th June 2020

Subject: Council Tax Support: Hardship Funding 2020/21

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Has consultation been carried out?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Will the decision be open for call-in?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

1.0 Summary

1.1 Main issues

As part of its response to COVID-19, the Government announced in the Budget on 11 March that it would provide local authorities in England with £500m of new grant funding to support economically vulnerable people and households in their local area. Leeds has been allocated £8,921,883, a decision must be made about how this is distributed.

1.2 Best Council Plan Implications

The proposal set out in this report contributes to the Best Council Plan focus of tackling poverty and reducing inequalities, and achieving the council’s ambition for a strong economy and compassionate city.

1.3 Resource Implications

The actions arising following scheme approval intend to operate within the current budget allocation and there are no additional resource implications arising from this report as it is intended that the activities arising be managed within existing resource.

1.4 Recommendations

The Director of Communities & Environment is recommended to approve an approach which allocates the Government hardship funding by removing the 25% reduction currently being applied to 25,796 working-age Council Tax Support (CTS) recipients in Leeds. This will mean that all working-age CTS recipients will have their CTS calculated based on 100% of their council tax liability rather than 75%.

Where removing the 25% reduction means a current CTS recipient doesn't benefit by £150, the hardship fund will be used to top up their award so that they benefit by up to £150, ensuring that the total award does not exceed the customer's council tax liability.

This approach will result in 19,337 additional CTS recipients having no council tax balance to pay for 2020/21 and is most effective in terms of providing additional support to those who need it most.

It is also recommended that an approach regarding the distribution of the remainder of the hardship fund be made later in the year when further information is available in respect of claimants needs in terms of support to pay their Council Tax.

2.0 Purpose of this report

This report sets out two options for distributing the government hardship grant to assist Council Tax payers who are most financially disadvantaged and in need of Council Tax Support.

3.0 Background information

As part of its response to COVID-19, the Government announced in the Budget on 11 March that it would provide local authorities in England with £500m of new grant funding to support economically vulnerable people and households in their local area. Leeds has been allocated £8,921,883.

The government has also confirmed that it will fund LA's in full for the new burdens cost of delivering the support.

The government issued guidance on 24th March setting out their expectations of Local Authorities should administer the grant:

<https://www.gov.uk/government/publications/council-tax-covid-19-hardship-fund-2020-to-2021-guidance>

On 16th April a letter was issued in response to enquiries from Local Authorities relating to the administration of the grant:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/879764/32020 - Council Tax information letter - 16 April 2020 .pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/879764/32020_-_Council_Tax_information_letter_-_16_April_2020_.pdf)

Both communications are clear that Local Authorities retain discretion to make their own decision about how to support economically vulnerable people and household in their area, but the government's recommendation is that Local Authorities consider providing an additional reduction of £150 to all working age Council Tax Support recipients in 2020/21.

4.0 Main issues

Since 2013 Local Authorities have funded developed and administered their own Council Tax Support Schemes for working age claimants. This means that levels of support vary throughout the country.

In Leeds expenditure on Council Tax Support in 2019/20 was £50.1m against a budget of £51.7m. The scheme currently restricts support to a maximum of 75% of the Council Tax charge for 25,796 working age households, whilst maintaining support at pre-2013 levels for 17,827 protected households who continue to have their CTS calculated based on 100% of their liability.

At the present time, projected expenditure on Council Tax Support in 2020/21 is £53.7M against a budget of £52.3M. An increase in Council Tax Support applications through 2020/21 is anticipated, which will further increase scheme costs.

Two options for allocating the hardship fund to CTS recipients have been considered.

Option one is the government recommended scheme. A claimant receiving working-age CTS would be entitled to a full £150 discount against their liability for the remainder of the financial year, after the application of any relevant discounts, exemptions and council tax support. Where the liability for the remainder of the financial year is less than £150, the discount should be applied to bring the liability down to nil.

Option two is a local approach, which is to remove the 25% reduction currently being applied to 25,796 CTS recipients so that entitlement is calculated based on 100% of the council tax charge. Where removing the 25% reduction means a current CTS recipient doesn't benefit by £150, the hardship fund will be used to top up their award so that they benefit by up to £150, ensuring that the total award does not exceed the customer's council tax liability.

Option two achieves a better outcome in terms of delivering the additional support to those who need it most and will result in an additional 19,388 of the lowest income charge payers having no council tax balance to pay when compared to option one.

4.1 Option 1 - The government recommended scheme

This option would reduce the final Council Tax bill of anyone receiving Council Tax Support in 2020/21 by an additional £150. Where the balance after Council Tax

Support is less than £150, the additional award would be limited to the balance payable.

For example:

Council Tax charge	£1,000.00	£1,000.00
Council Tax Support	£650.00	£900.00
Balance to pay after Council Tax Support	£350.00	£100.00
Additional reduction	£150.00	£100.00
Final amount to pay after additional Support	£200.00	£0.00

Support would be firstly calculated based on a maximum of 75% of the Council Tax charge and paid for each day in the 2020/21 financial year that the claimant qualified for the reduction, then an additional £150 reduction would be made.

This approach would result in short-term claimants receiving proportionally more support than those who are disadvantaged for longer periods:

Period of claim	1 month	3 months	9 months
Annual Council tax charge	£1,000.00	£1,000.00	£1,000.00
Council Tax Support for period of claim	£62.50	£187.50	£562.5
<i>Additional reduction</i>	<i>£150.00</i>	<i>£150.00</i>	<i>£150.00</i>
Total reduction	£212.50	£337.50	£712.50
Weekly equivalent of total reduction	£49.04	£25.96	£18.21

This option would immediately benefit 26,958 working age Council Tax Support recipients by an average of £149 and would mean that 953 Council Tax Support recipients would no longer have any Council Tax to pay in 2020/21.

However, 26,005 working age Council Tax Support recipients will still have a balance to pay.

A Council Tax Support recipient would be awarded a £150 hardship payment, in addition to their Council Tax Support award even where support is required for a short period. The award would be required to be paid to all Council Tax recipients until March 2021.

4.2 Option 2 – The local approach

The proposed local approach is to remove the 25% reduction in Council Tax Support for 2020/21 so that all Council Tax Support recipients would have their award based on 100% of their liability.

This would immediately benefit 26,958 working age Council Tax Support recipients by an average of £236 and would mean that an additional 19,338 Council Tax Support recipients would no longer have any Council Tax to pay in 2020/21.

The number of working age Council Tax Support recipients left with a Council Tax balance to pay would reduce from 26,958 to 7,620, a decrease of 19,338. These

7,620 recipients have had their CTS reduced by more than the standard 25% reduction to reflect higher incomes, non-dependent deductions and savings in accordance with our means-tested scheme.

This approach would mean that the lowest income CTS claimants would have no Council Tax to pay for the period that they needed support and better directs the hardship support to those who are most in need.

4.3 How the options compare:

Costs based on caseload 10 June 2020:

	Government proposal	Local proposal
Number of hardship awards	26,958	26,958
Average annual hardship award	£149.25	£236.38
Cost of top-up awards		£298K
Total cost	£4.02m	£6.5m

How hardship scheme costs could increase if caseload rises:

	Government proposal	Local proposal based on an average monthly hardship award of £19.67
5,000 new claims with a duration of 1 month	£750,000	£98,350
5,000 new claims with a duration of 2 months	£750,000	£196,700
5,000 new claims with a duration of 3 months	£750,000	£295,050
5,000 new claims with a duration of 6 months	£750,000	£590,100
5,000 new claims with a duration of 9 months	£750,000	£885,150
5,000 new claims with a duration of 12 months	£750,000	£1,180,200

The above additional costs relate only to the distribution of the governments hardship grant which are in addition to general Council Tax scheme costs.

An increase in caseload would increase general scheme costs as follows:

	Increase in general scheme costs based on an average weekly award of £17
5,000 new claims with a duration of 1 month	£370,000
5,000 new claims with a duration of 2 months	£740,000
5,000 new claims with a duration of 3 months	£1,110,000
5,000 new claims with a duration of 6 months	£2,220,000
5,000 new claims with a duration of 9 months	£3,330,000
5,000 new claims with a duration of 12 months	£4,220,000

If the caseload was to rise by 5000, and each new claimant was to claim for 12 months, the additional cost in terms of hardship payments would be £1,180,200 and the additional cost in terms of additional Council Tax Support would be £4,220,000. This would mean a total of £7.44m in hardship payments and an overall cost of £11.66m after factoring in the additional CTS expenditure. It should be noted that the government expectation is for the hardship fund to be allocated in addition to normal CTS scheme expenditure.

An additional point to note is that, at the time of writing, there are less than 10 months left in the financial year, so the likelihood is that any new claim will have a maximum duration of 10 months.

4.4 Impact on claimants:

There are 43,623 working-age CTS recipients. Of these, 25,796 are not protected from the 25% reduction.

Under option 1 we would immediately benefit 26,958 recipients. This includes all recipients who are not currently protected by the 25% reduction (25,796) as well 1,162 recipients who currently do not qualify for a full award because they have higher incomes or non-dependent deductions.

Under option 2 we would immediately benefit the 25,796 recipients who are affected by the 25% reduction as well as benefiting 1,162 recipients who are not affected by the reduction but do not receive maximum CTS. Nobody will receive an amount which exceeds their council tax liability.

The value of individual hardship awards:

	Government approach	Local approach
Claimants receiving an additional amount over £150	0	24,568
Claimants receiving an additional amount of £150	26,366	1872
Claimants receiving additional amount less than £150	592	518

Impact on the number of Council Tax support recipients with a balance of Council Tax to pay:

	Current position	Government approach	Local approach
Nothing to pay	16,666	17,259	36,003
Balance to pay:	26,957	26,004	7,260

Under option 1, a customer claiming for only 3 weeks could receive their weekly CTS award plus £150.00, effectively receiving more support than they actually need.

Under option 2, a customer claiming for only 3 weeks would have their CTS award calculated based on 100% liability, so, whilst they will not receive the full £150 in hardship support, they will receive the full support they require for the period they are in need.

4.5 Residual Hardship Fund balance

Under both options, after making the initial awards to the current caseload, and factoring in a 5000 increase in claims, there would be a residual value of hardship funding remaining:

	Government approach	Local approach
Cost of initial hardship fund awards (including top up awards)	£4.02m	£6.5m
Cost of additional hardship funding taking into account 5,000 new customers who claim for 9 months	£750,000	£885k
Total hardship funding cost	£4,752,000	£7,385,000
Remaining balance	£4,151,883	£1,536,883

The remaining balance could be allocated on a case by case basis or directed to particular groups. For example, part of the remaining hardship funding could be directed to CTS recipients who have a Council Tax balance of under £100 after the initial hardship payment. The remaining balance may also serve as a contingency should caseload growth exceed 5000.

The table below shows the potential impact of caseload growth on the remaining hardship balance under the local approach.

Caseload growth	Projected Cost based on the average monthly hardship fund award of £19.67	Remaining hardship fund balance after initial awards and top up
5,000 claiming for 9 months	£885k	£1.54m
10,000 claiming for 9 months	£1.77m	£652k
15,000 claiming for 9 months	£2.66m	-£238k
15,000 claiming for 6 months	£1.77m	£652k
20,000 claiming for 6 months	£2.4m	£22k

The government guidance on spending the remaining hardship funding is as follows:

Having allocated grant to reduce the council tax bill of working age LCTS recipients by a further £150, billing authorities should establish their own local approach to using any remaining grant to assist those in need. Billing authorities will want to revisit their broader approach at intervals during the financial year, in order to ensure expenditure for 2020-21 remains within their allocation. In determining any broader approach to delivering support, authorities are best placed to reflect on the financial needs of their most vulnerable residents. In doing so, they may wish to consider using their remaining grant allocation as part of wider local support mechanisms. These may include, but are not restricted to:

- a) Council tax relief using existing discretionary discount/hardship policies (adapted where necessary in order to capture those most likely to be affected by COVID-19); and
- b) Additional support outside the council tax system through Local Welfare or similar schemes;
- c) A higher level of council tax reduction for those working age CTS recipients whose annual liability exceeds £150

5.0 Corporate Considerations

5.1 Consultation and engagement

Consultation has been taken internally with the Councils Chief Financial Officer and with neighbouring West Yorkshire Councils, and several others, to understand their approach to adapting their scheme to reflect the release of Government funding and to help understand the risks.

Research with neighbouring Councils suggests a range of opinions in how they will spend their hardship allocation, from the simplistic approach of just awarding the £150 to all CTS qualifiers, whether that be for the full or the part year, to increasing the eligibility threshold to 100%, not dissimilar to what Leeds are proposing in its recommendation.

5.2 Equality and diversity/cohesion and integration

A key focus of this report is to assist Council Tax charge-payers affected by COVID 19, specifically addressing Council Tax charge-payers who qualify for Council Tax Support, therefore supporting people suffering hardship & poverty presently.

5.3 Council policies and Best Council Plan

The proposal set out in this report contributes to the Best Council Plan focus of tackling poverty and reducing inequalities, and achieving the council's ambition for a strong economy and compassionate city.

5.4 Climate Emergency

There are no new matters arising as a result of the proposals set out in this report.

5.5 Resources, procurement and value for money

There are no additional resource implications arising from this report. The proposed local approach is significantly less complex in terms of administration than the government approach and will mean that an additional 18,744 CTS recipients would no longer have any Council Tax to pay in 2020/21 when compared to the Government approach. This is likely to have a positive impact on the cost of Council Tax collection as well as reducing customer contact.

However it should be noted that, aside from hardship awards, an increase in CTS caseload would result in additional costs which the government would expect to be funded separately.

5.6 Legal implications, access to information and call-in

Ordinarily CTR schemes decided under S13A(1)(a) and 13A(2) of the Local Government Finance Act 1992 require a period of consultation with decisions only taken by full council.

In addition however, under S13A(1)(c) a person's liability may be reduced, or reduced further if it has already been reduced under the CTS scheme, to such extent as the Council in its capacity as billing authority thinks fit, including by reducing an amount to nil, and this power can be exercised in relation to individual cases or classes of case in which liability is to be reduced. A decision under S13A(1)(c) is not designated under S67 of the 1992 Act as a function to be discharged only by the authority, and is an executive function to be discharged by the Director of Communities and Environment (18(c) Local Council Tax Support, and 19(c) Administration of S13 decisions).

It is possible to implement decisions in relation to classes of case by an increase in the percentage of award as a parameter in the software that the Council uses and for that to constitute evidence of a discretionary reduction for the purposes of the Act.

Paragraph 13 of the government guidance mentioned above says "the Government's strong expectation is that billing authorities will provide all recipients of working age local council tax support during the financial year 2020-21 with a further reduction in their annual council tax bill of £150, using their discretionary powers to reduce the liability of council tax payers outside of their formal CTS scheme design".

However, the letter from the government mentioned above, whilst referring to the government's "expectation" that such a reduction will be made, states specifically that "local authorities are responsible for administering the hardship fund and retain the discretion to make their own decisions on the levels and methods of delivering the additional support".

There is no specific power in the 1992 Act for the Secretary of State to issue guidance to billing authorities in relation to the exercise of their discretion to reduce a person's council tax liability under S13A(1)(c). The payment of the hardship fund to billing authorities is made by way of grant under S31 of the Local Government Act 2003, and whilst the Secretary of State has the power to impose conditions as to the use of the grant etc. there is no suggestion in the guidance that the provisions of the guidance constitute conditions under S31. Whilst therefore, there is nothing specific about what the effect of the guidance is to be, it is reasonable to assume an implied, if not specific duty on the Council to have regard. This means the guidance is singled out for special mention, and is therefore a mandatorily relevant factor to which due and specific consideration must be given, to which some weight must be attached and which must not be marginalised. This duty does not however, go so far as to make the guidance an exclusive consideration, and there is liberty to deviate from the guidance on admissible grounds and for good, sufficient and articulated reasons.

It is considered that it is open to the Council to decide to implement option 2 above, consistently with the duty to have regard to the guidance. The key points of the guidance, and the impact of the further reduction of £150 as proposed in the guidance, are set out in this report, and therefore the guidance has not been marginalised. In addition, the reasons for implementing Option 2, [namely to target the fund to those working age recipients of CTS in most need, and to leave a greater number of such recipients with nothing to pay], are sufficient and admissible reasons for deviating from certain aspects of the guidance, as set out in this report.

5.7 Risk management

There is high confidence in terms of the accuracy of the financial forecasting provided.

The CTS caseload is expected to increase this year but we cannot accurately predict the value of the increase. In the examples provided within this report, an allowance has been made for a 5000 increase in working- age caseload needing additional support which represents a 20% increase in the working-age caseload.

Removing the 25% reduction will benefit the poorest charge-payers, including those affected by Covid-19 and would mean that an additional 19,337 charge-payers would no longer have anything to pay compared to the current position. This is a timely opportunity to help lessen administration around billing, reminders, summonses and potential administration of manual discretionary awards of CTS.

The proposed local approach does not necessarily follow the government's *guidance* that all CTS recipients should benefit by £150. Customers claiming CTS after the end of June, who only require CTS for a short-time, or who have relatively higher incomes and only qualify for a small amount of CTS may not benefit by £150. However, as highlighted within this report, the local approach will ensure that the Government funding is allocated to those people in Leeds who need it the most, with some receiving significantly more than £150.

The government's expectation is that the council monitor and report CTS hardship expenditure. Irrespective of the option we take, this will require administrative work which, at this time, based on present understanding, appears problematic. However we will ensure to provide as accurate a report as possible.

6.0 Conclusions

Discussion with other Councils has revealed a number of different approaches, which is to be expected because the Council Tax support schemes which the hardship grant is effectively propping up also vary widely.

Funding pressures has meant that Leeds has adopted a scheme which offers 100% support for the most vulnerable whilst restricting support to 75% for others. The hardship grant provides opportunity this year to provide better support for all economically vulnerable people and households.

There are a number of approaches available to Leeds in terms of delivering the hardship support but the Local Approach of removing the 25% reduction ensures that the additional support can quickly and effectively be delivered to those who need it most whilst remaining comfortably within budget.

Alternative approaches would require complex administrative practices, potentially higher costs as a result of caseload increases, additional Council Tax collection activity and customer contact and would not deliver the support to those most in need.

7.0 Recommendations

The Director of Communities & Environment is recommended to approve an approach which allocates the Government hardship funding of £8.9M by removing the 25% reduction currently being applied to 25,796 working-age Council Tax Support recipients in Leeds.

This approach will result in 19,337 additional CTS recipients having no council tax balance to pay for 2020/21 and is most effective in terms of providing additional support to those who need it most.

Where removing the 25% reduction means a current CTS recipient doesn't benefit by £150, the hardship fund will be used to top up their award so that they benefit by up to £150, ensuring that the total award does not exceed the customer's council tax liability.

It is also recommended that an approach regarding the distribution of the remainder of the hardship fund be made later in the year when further information is available in respect of claimants needs in terms of support to pay their Council Tax.

8.0 Background documents

None.