

Cabinet

18 November 2020

Local Council Tax Reduction Scheme 2021/22 and Council Tax: Covid-19 Hardship Fund Payments



Key Decision No. CORP/R/20/05

Report of Corporate Management Team

John Hewitt, Corporate Director of Resources

Councillor Alan Napier, Cabinet Portfolio Holder for Finance

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 The purpose of this report is to:
 - (a) seek approval to recommend to Council the continuation of the current Local Council Tax Reduction Scheme (LCTRS) for a further year into 2021/22, which would continue the protection afforded to all claimants in line with what their entitlement would have been under the former Council Tax Benefit system;
 - (b) provide cabinet with information on the current and forecasted expenditure in terms of the Government's Covid-19 hardship fund;
 - (c) seek approval for the allocation of the remaining Covid-19 hardship fund grant to continue to support vulnerable residents following consideration of the options and recommendations set out in the report;
 - (d) seek approval of the updated Discretionary Council Tax Reduction (Covid-19) policy in line with agreement on the allocation of the remaining Covid-19 hardship grant fund.

Executive summary

- 2 Durham is one of a small minority of councils to continue to offer the same level of support to all claimants as was available under the former Council Tax Benefit scheme. In 2018/19, when national data was last collected, only 36 local authorities in England, and no other councils in the North East, offered all residents this level of assistance. Meaning no

LCTRS claimants in our area have been worse off in the last eight years than they would have been under the previous national scheme.

- 3 Nationally the most common change made to LCTRS is the introduction of minimum payments. Over 80% of Local Authorities have introduced these; making all residents liable, regardless of their income, and responsible for paying a percentage of their council tax. This ranges from 5% to 50% of the property's full council tax liability.
- 4 National research confirms that there is a clear correlation between higher minimum payments in LCTRS and council tax collection rates.
- 5 There are currently 58,250 LCTRS claimants in County Durham, of which 22,050 (38%) are pensioners and 36,200 (62%) are working age. 28,940 (80%) of working age claimants currently receive 100% LCTRS discount, with LCTRS support forecast to be circa £61.9m in 2020/21.
- 6 The rollout of Universal Credit (UC) is scheduled to be completed in 2024 and is already in payment to a significant number of people in Durham. As of September 2020, there were circa 18,250 LCTR claimants receiving UC, just over 50% of the working age LCTR caseload.
- 7 The council is around four times more likely to receive a report of a change in circumstances when a working age LCTR claim is based on UC, than when it is not. Regular monthly recalculations of UC and LCTR, most frequently caused by changes in earnings, are leading to multiple bills being issued to households. This has resulted in residents not being able to easily keep track of their Council Tax liability, leading to difficulties for households when managing their finances and personal budgeting.
- 8 The Council will need to keep track of the impact of the continuing roll out of UC. After many years of continued improvement, our in-year council tax collection rate reduced slightly in 2018/19 to 96.65%, and further still in 2019/20 to 96.37%. The current year has seen a further significant reduction year on year also but that in most part is due to the impact of Covid-19.
- 9 Consideration of whether to extend the current scheme into 2021/22 needs to take account of a number of key factors and changing the scheme at this stage means additional council tax revenues (or pressures) would need to be built into the medium term financial plan (MTFP) projections. No changes to the scheme were factored into the MTFP(11) projections reported to Cabinet on 14 October 2020.
- 10 The coronavirus pandemic has had a significant impact on the LCTRS working age caseload, which increased dramatically in the first quarter of 2020/21 as an unprecedented number of new claims were received by working age customers adversely affected by Covid-19. At the peak in May 2020 the working age LCTRS caseload was almost 3,000 higher

than in January. The total value of LCTRS awards is expected to be around £5m higher in 2020/21 than in the previous year.

- 11 In March 2020 the Government announced a £500m hardship fund, of which Durham was allocated £6,964,443, to provide support to economically vulnerable people and households during the Covid-19 pandemic. The Government announced that it was their 'strong expectation' that the funding would be used to give all working age LCTRS recipients a further reduction in their 2020/21 council tax bill of £150, or a reduction of their liability to nil if their liability was already below £150 after LCTR.
- 12 On 4 May 2020, under a delegated decision taken by the Corporate Director of Resources, the Council adopted a policy which provided an enhanced scheme, offering a reduction of up to £300. This was affordable in Durham as our LCTRS does not have a minimum payment level, and as a result 80% of our residents were already receiving LCTR and have no council tax to pay.
- 13 To ensure that the Covid-19 hardship funding was used to support the most vulnerable in our county, £1m of the grant received was set aside to supplement the council's Welfare Assistance Scheme in the coming year, aimed at anti-poverty and community resilience measures, leaving £5,964,443 of grant to provide additional support to residents through LCTR hardship top ups.
- 14 It is estimated that by the end of 2020/21, as a result of administering payments to support the reduction of council tax bills by up to £300 for working age residents receiving LCTR, the Council will have applied around £4.2m of the Covid-19 hardship funding, leaving approximately £1.8m of grant unspent.
- 15 One option for using the remaining Covid-19 hardship funding is to continue to offer some additional support to working age LCTRS recipients in 2021/22. The estimated cost of this would be £2.4m should we make a payment of up to £150, £1.7m for payments up to £100 and £900,000 for payments up to £50.
- 16 When accounting for expenditure of the Covid-19 hardship funding there is no absolute requirement to spend all or even most of the money on help with council tax. Unspent hardship funding could be spent in other ways which supports economically vulnerable residents. Support for foodbanks, advice services, or local welfare schemes are all examples of potential funding beneficiaries. Local authorities could even use the funding to help cover the increased cost of CTR scheme due to Covid-19.

Recommendation(s)

- 17 Cabinet is recommended to:

- (a) consider the report and resolve to recommend to Council that the current Local Council Tax Reduction Scheme is continued into 2021/22, which will retain the same level of support to all working age council taxpayers on low incomes as was the case under the previous Council Tax Benefit Scheme;
- (b) agree that the extension to the Scheme be initially for a further year only and be kept under continuous review with a further decision on the scheme to apply in 2022/23 to be considered by Cabinet in summer 2021 and Full Council by 11 March 2022;
- (c) ensure full use of the Covid-19 Hardship Fund allocation to support vulnerable residents experiencing financial difficulty by extending the existing top up arrangements into 2021/22, making a maximum payment of £100 to eligible residents in receipt of Council Tax Reduction next year;
- (d) approve the Discretionary Council Tax Hardship Reduction (Covid-19) Policy attached at Appendix 2, which has been updated to incorporate the extension of the scheme into 2021/22 as outlined in the report.

Background

- 18 The Government abolished the national Council Tax Benefits system on 31 March 2013, replacing it with a requirement for local authorities to work with their precepting bodies to establish a Local Council Tax Reduction Scheme (LCTRS) with effect from 1 April 2013. The LCTRS provides a 'discount' against the council tax charge, rather than a benefit entitlement.
- 19 The Council Tax Reduction Scheme Grant replaced Council Tax Benefit subsidy and from April 2013 was paid directly to the council and the major precepting bodies (Police and Fire).
- 20 Government funding towards council tax support was reduced by 10% nationally in 2013/14. By so doing, the Government also transferred the risk of any growth in the system through more council taxpayers becoming eligible for support with their council tax to local authorities as the government grant was a fixed amount. This risk has materialised in the current year when an unprecedented number of new claims for LCTR was received as a result of the national lock down linked to the Covid-19 pandemic.
- 21 The funding made available to support the LCTRS in 2013/14 (90% of the previous funding available under the Council Tax Benefit System) now forms part of the council's formula funding arrangements. Whilst separate figures were published for this in 2013/14, there is no longer any visibility over what level of funding is now for LCTRS that is contained within the formula.
- 22 The council's formula grant includes an element relating to town and parish councils and whilst the council has passed the grant on to the town and parish councils, there is no statutory requirement to do so.
- 23 Following discussions with the Town and Parish Councils' Working Group, and in the spirit of partnership working, recognising the important role town and parish councils play in providing local services to communities and their co-operation in terms of claims for double taxation payments, it is proposed to continue to pass on the town and parish element of the formula grant in 2021/22.
- 24 In doing so, it is proposed that the council continues to apply pro-rata reductions in the Council Tax Support Grant paid to town and parish councils in line with any reductions in the overall formula funding made available to the council and this is reflected in the MTFP model.
- 25 In 2020/21 Town and Parish Councils received £1.332m of LCTRS grant allocations and for budget planning purposes have been advised that the Council will retain payments at this level next year, though the amount of grant provided to individual town or parish councils may vary according to the year on year changes in their tax raising capacity.

- 26 In March 2020, the Government announced a £500m Covid-19 hardship fund, of which Durham was allocated £6,964,443, to provide support to economically vulnerable people and households during the pandemic. The Government's expectation was for councils to utilise most of this funding to provide additional council tax relief, on top of their LCTRS. Local authorities could use any leftover funding to assist residents in need.
- 27 The Government's strong expectation was that billing authorities provide all working age LCTRS recipients with a minimum of £150 reduction in their annual bill for 2020/21.
- 28 On 4 May 2020, under a Delegated decision taken by the Corporate Director of Resources, the Council adopted a policy which provided an enhanced scheme, offering a reduction of up to £300. This enhanced scheme was affordable in Durham because our LCTRS is more generous and already reduces most claimants' bills to nil, whereas in other areas it is not as all working age claimants have some element of council tax to pay regardless of their circumstances.
- 29 This report provides an estimate of Covid-19 hardship fund expenditure in 2020/21. It is expected that there will be a significant amount of grant unspent under current plans. Options are given about how the council can ensure the grant funding is fully and effectively spent to support vulnerable residents.

Review of the Local Council Tax Support Scheme

- 30 On 4 December 2019 County Council agreed the current LCTRS for 2020/21, which mirrors the previous scheme that operated under the Council Tax Benefit System for all claimants. No council tax support claimants have therefore been worse off in the last eight years than they would have been under the previous national scheme.
- 31 The council has been mindful of the continuing impacts of the wider welfare reforms which are having a detrimental impact on many low income households and the fact that the additional council tax liabilities for working age households could have a significant impact on affected household budgets by around £130 a year based on a scheme whereby entitlement for working age claimants is set at a maximum of 90% entitlement. This would make collection of council tax more difficult and costly to recover from these low income households.
- 32 In approving the scheme for 2020/21, the Council gave a commitment to review it on the grounds of MTFP affordability given the ongoing austerity it faces, the cumulative impacts the Governments welfare reforms and the prevailing economic circumstances facing our residents.
- 33 In the North East region, Durham are now the only authority whose scheme continues to mirror entitlement under the former Council Tax

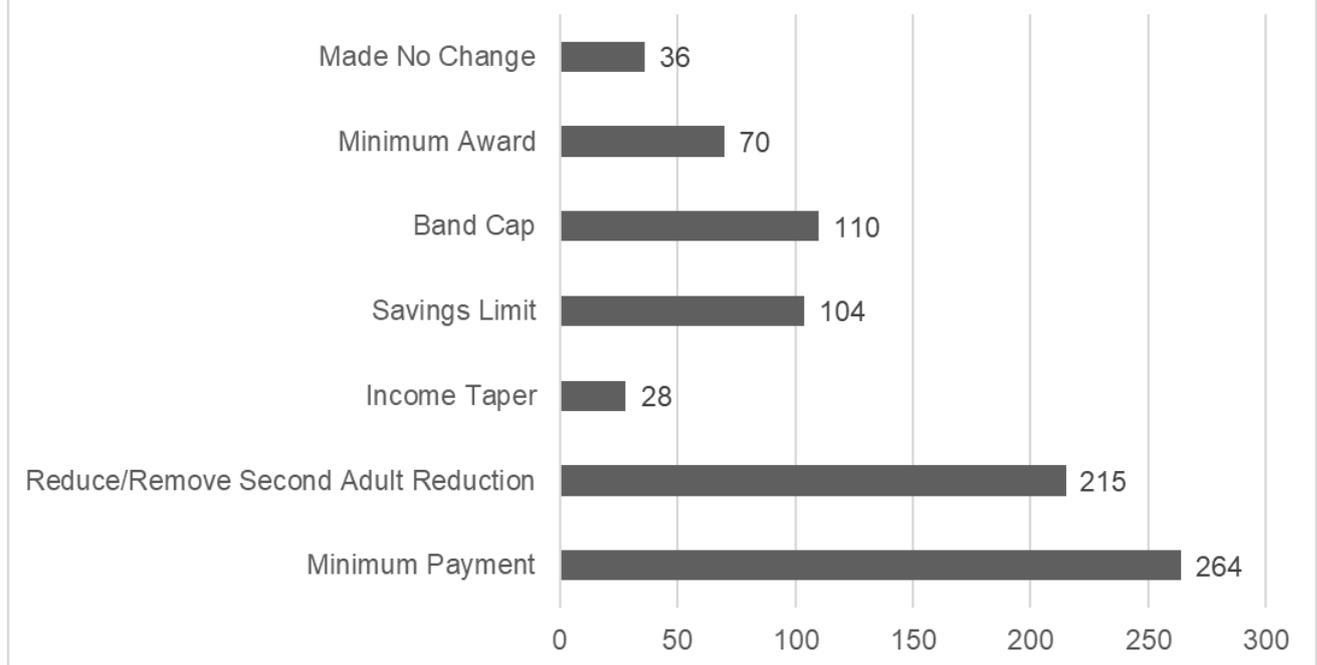
Benefit system, whilst the other eleven councils have schemes that cap the maximum entitlement to working age claimants.

- 34 The Institute for Fiscal Studies (IFS) estimate that a quarter of the additional council tax liability created by cuts to LCTR since 2013 is not being collected in year. The table below summarises the key features of the schemes in place across the North East in 2020/21 and how their in-year council tax collection rates have changed between 2012/13 and 2019/20:

Local Authority	Basis of Scheme	Minimum Payment	Second Adult Reduction Offered?	Change in in-year council tax collection rate between 2012/13 and 2019/20
Durham	CTB	No	Yes	+1.37%points
Darlington	CTB	20%	No	+0.34%points
Gateshead	CTB	8.5%	No	-0.72%points
Hartlepool	CTB	12%	No	-1.80%points
Middlesbrough	CTB	15%	No	-4.40%points
Newcastle	Income Banded	10%	No	-0.08%points
North Tyneside	CTB	15%	No	-1.90%points
Northumberland	CTB	8%	Yes	-0.06%points
Redcar and Cleveland	CTB	12.5%	No	+1.11%points
South Tyneside	CTB	30% or 15% if vulnerable	Yes	-2.07%points
Stockton	CTB	20%	No	-3.05%points
Sunderland	CTB	8.5%	Yes	-2.31%points
All English Unitary Authorities	N/A	N/A	N/A	-0.50%points
All English Authorities	N/A	N/A	N/A	-0.80%points

- 35 In 2018/19, when national data was last collected, Durham County Council was one of just 36 nationally who continued to mirror entitlement under the former Council Tax Benefit system (11%), with 290 (89%) out of 326 having cut the amount of support available to claimants. The latest published data available shows the most common changes to have been implemented elsewhere have been the introduction of a minimum payment level and reducing or removing the Second Adult Reduction. The chart below shows the types of changes and restrictions implemented to schemes across England:

Number of Local Authorities by Type of Change to LCTRS - 2018/19



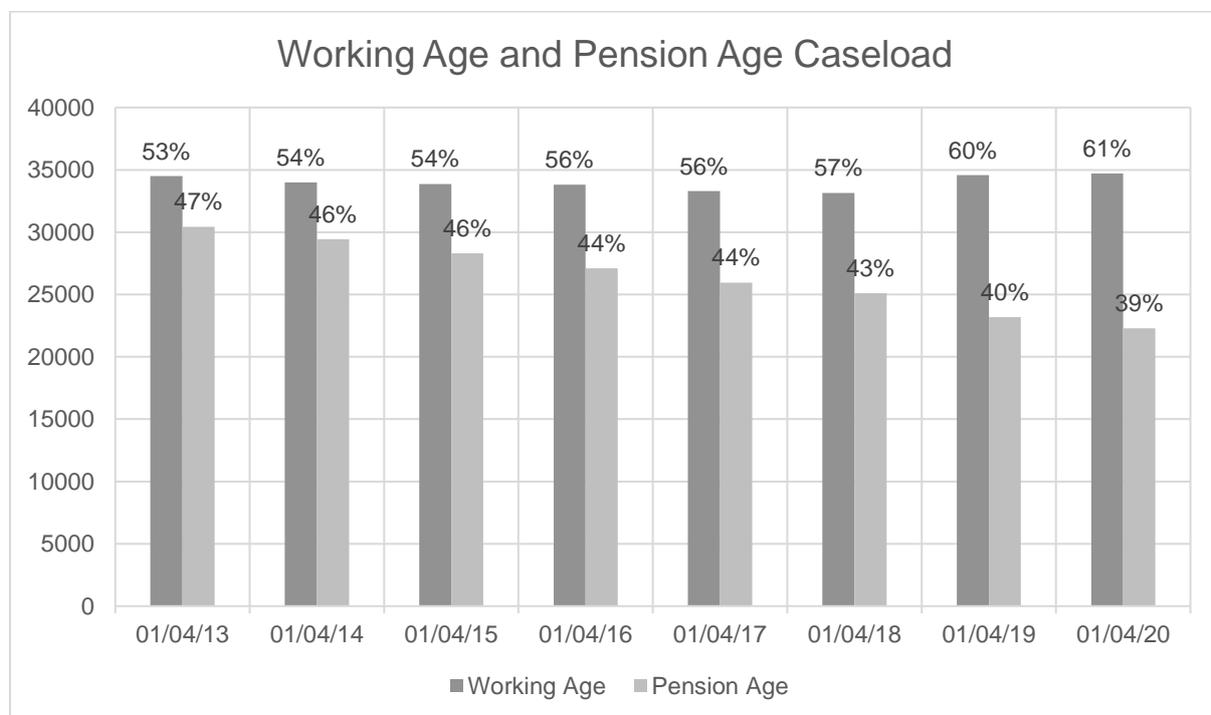
- 36 In some local authorities, like Durham, the lowest-income households continue to be exempt from paying council tax whilst in others they are required pay between 5% and 50% of their bill. There is a wide disparity of support available across the country.
- 37 The majority of councils who made changes to their schemes in the first few years of LCTR did so to cap the overall amount that could be paid to working age households – 80% of councils had a cap in 2018-19 – but different councils have set them at very different levels. Combined with different choices about other aspects of scheme design, this means that otherwise similar households are treated very differently according to where they live. However, more recently, local authorities have started to focus on making changes to better support applicants receiving UC, while maintaining a cap on the total amount that an applicant can receive.
- 38 The rollout of UC was originally intended to be completed by 2017, but after repeated rescheduling the current target date is September 2024. Despite the extended roll-out, UC is already in payment to a significant number of people in Durham. This covers new claimants and those affected by natural migration to UC, where a change in circumstance can remove entitlement to a legacy benefit and result in a person having to make a UC claim instead. As of September 2020 there were circa 18,250 LCTR applicants receiving UC, just over 50% of the working age LCTR caseload in Durham.
- 39 The LCTR scheme in Durham, based on the former CTB scheme, is a complex scheme, designed to reflect and interact with the Department for Work and Pensions' (DWP) long-standing range of legacy benefits. All of

which are calculated weekly, are based on the same premiums and allowances, have identical income and capital assessment rules and an established history of common case law.

- 40 UC is a complete departure from the legacy benefits it replaces. It is calculated monthly, with new rules and new allowances, and for in-work claims is subject to regular monthly changes.
- 41 When compared to the legacy benefits schemes it replaces, UC produces more losers than winners, with prominent losers being disabled claimants, due to the loss of substantial disability allowances. Going forward, to offer effective support to applicants who receive UC, local authorities will increasingly need to rethink their LCTR schemes.
- 42 Durham County Council took an early decision to accept electronic notifications of a new UC claim from the DWP as an application for LCTR. This measure has helped Durham maintain its working age caseload. Other local authorities have seen reductions in the number of LCTR applications received, due to residents no longer being required to come to the council to make joint HB and LCTR claims. This will have resulted in increases in council tax arrears and impacted on collection performance.
- 43 In terms of impact on LCTRS workload, the council is around four times more likely to receive a report of a change in circumstances when a working age LCTR claim is based on UC, than when it is not.
- 44 Regular monthly recalculations of UC and LCTR, most frequently caused by changes in earnings, lead to multiple bills being issued to the household and significant difficulties for residents trying to maintain their council tax payments. Net council tax charges are repeatedly being recalculated and instalment dates pushed back to later in the year. This is further complicated by the need to give customers paying by direct debit 14 days notice when making a change in their payments. These changing instalments can cause considerable budgeting difficulties for residents, as well as a knock-on impact for the council in terms of increased call traffic and council tax collection work.
- 45 Nationally, LCTR schemes provided 24% less support to working age households in 2018/19 than if the national Council Tax Benefit system had been retained.
- 46 In 2018/19, over two million households across the country were being adversely affected by the change from Council Tax Benefit. On average these families were paying £204 additional council tax in 2018/19 in comparison to what they would have paid under the national Council Tax Benefit scheme. The number of LCTRS claimants paying an additional £200 or more had increased to 933,000 in 2018/19.

47 There are currently 58,250 LCTRS claimants in County Durham, of which 22,050 (38%) are pensioners and 36,200 (62%) are working age claimants. 28,940 (80%) of working age claimants currently receive 100% LCTRS discount, with LCTRS support forecast to be circa £61.9m in 2020/21.

48 In Durham, there are now over 3,750 claimants currently classed as working age that would have been treated as pensionable age claimants prior to 2010, when the process began of moving state pension credit age from 60 for women and 65 for men, up to 66 for both. This process was completed in 2020, with a further move up to 67 planned between 2026 and 2028, then to 68 between 2044 and 2046. As the chart below shows, over the last eight years there has been a eight percentage point increase in the proportion of working age applicants within Durham:



49 This means a higher proportion of our caseload is coming under the part of the LCTRS scheme that the Council has control over. Working age customers also carry a greater administrative workload as they have more frequent changes in their circumstances, particularly when they are in receipt of UC.

50 As Members will be aware, if any changes are made to the scheme, these must be consulted on and be subject to an equality impact assessment. Councils are required to review and approve their schemes annually and have this agreed by a Council meeting before 11 March each year.

51 Statutorily, pensioners have to be protected from any changes, therefore any reductions can only be applied to working age claimants.

- 52 Eight years after the Government abolished the national Council Tax Benefits System the council continues to have an LCTRS which mirrors the previous entitlement under the Council Tax Benefit system for all claimants. No council tax support claimants have therefore been financially worse off in the last eight years (including the current year) than they would have been under the previous national scheme.
- 53 The Council has been mindful of the continuing impacts of the wider welfare reforms which are having a detrimental impact on many low income households and the fact that the additional council tax liabilities for working age households could have a significant impact on affected household budgets by around £100 to £130 a year based on a scheme whereby entitlement for working age claimants is set at a maximum of 90% entitlement. This would make collection of council tax more difficult and costly to recover from these low-income households.
- 54 In January 2019, analysis from the IFS showed a direct link between higher minimum payments in LCTRS and lower overall council tax collection rates:

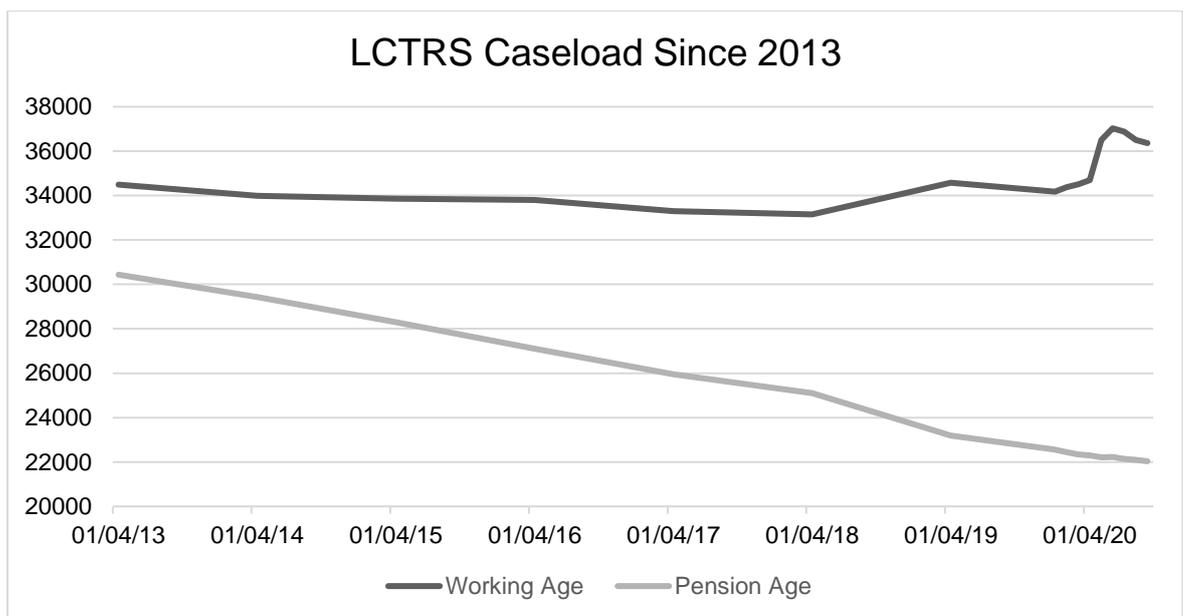
Minimum Payment Level in LCTRS	Estimated Effect on Collection Rate (percentage point change)
Up to 8.5%	-0.09%
8.6% to 20%	-0.24%
Over 20%	-0.49%

- 55 Based on Taxbase assumptions, the estimated net cost of retaining the scheme is circa £5.1 million – this reflects the reduction in Government Grant support towards maintaining these schemes in the first year. To recover the full £5.1m cost by reducing the benefit awarded to working age claimants, which currently totals circa £38.6 million, and factoring in a prudent collection rate of 80%, would require the maximum entitlement to be reduced from 100% to 83.5%.
- 56 Should the council review its scheme and reduce maximum entitlement to working age claimants, depending on the forecasted council tax collection from affected low income households, there would be scope to increase council tax revenues by between £3.01million (based on a scheme that awarded maximum entitlement to working age households of 90% with a prudent collection rate of 80%) and £5.1million (based on a scheme that awarded maximum entitlement of 83.5% with a prudent collection rate of 80%). This would impact circa 36,200 working age households across County Durham, where 6,950 (19%) are actually in low paid jobs rather than being unemployed.

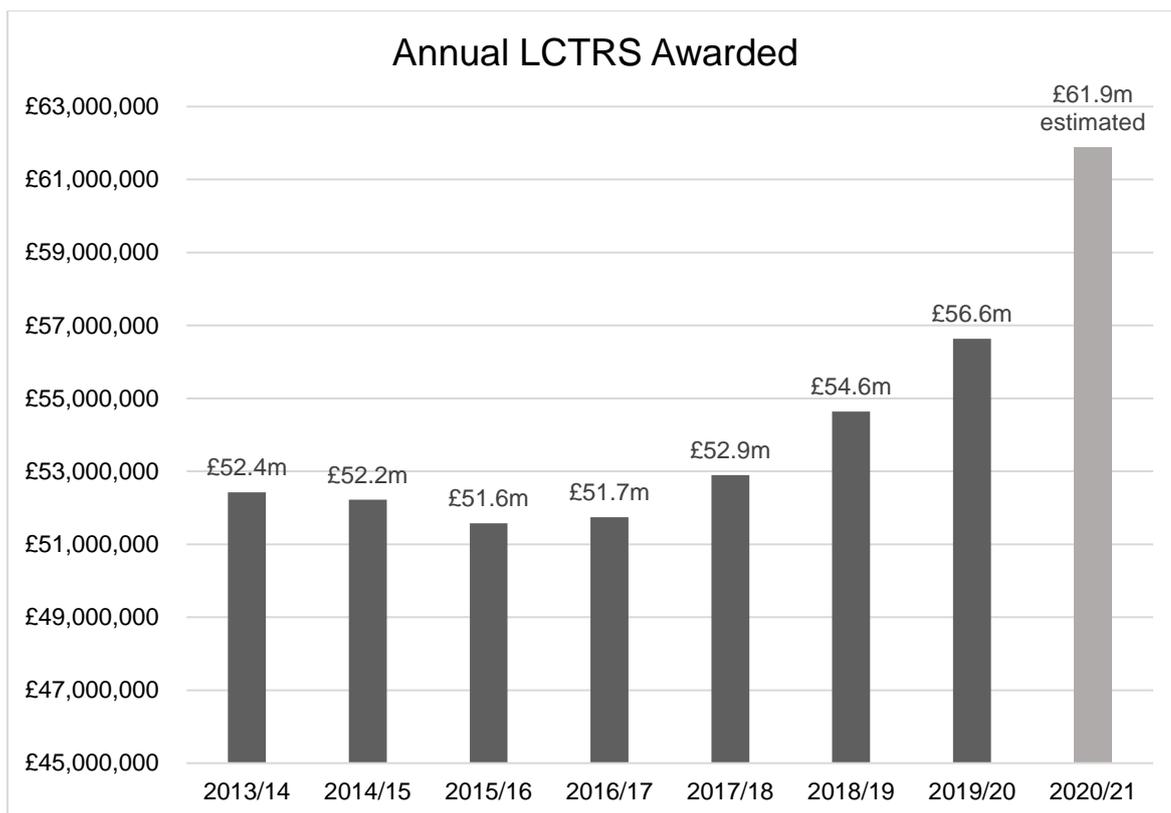
57 When the scheme was reviewed last year, a small amendment was made to extend the maximum backdating period from six to 12 months.

58 This change has enabled officers to assist residents within the LCTR scheme, without relying on discretionary powers under Section 13A(1)(c) of the Local Government Finance Act 1992. As was expected, these cases have been rare. In the first five months of 2020/21, of 2,324 new LCTRS awards which were backdated, only six required backdating for over six months. These additional backdated awards totalled just over £1,500.

59 The council's LCTRS scheme has been in significantly increased demand this year as a result of the coronavirus pandemic. The pension age caseload has continued a trend of reduction. The working age caseload, however, increased dramatically in the first quarter of 2020/21 as an unprecedented number of new claims were received by customers adversely affected by Covid-19. At the peak in May 2020 the working age LCTRS caseload was almost 3,000 higher than in January:



60 This increase in working age LCTRS claims, and the continued financial impact of Covid-19 is expected to result in an increase in the total amount of support offered through the scheme in 2020/21 to around £61.9m. This is an increase of over £5m on the cost of last year's scheme and is more than £10m more than the total support offered in 2015/16 and 2016/17:



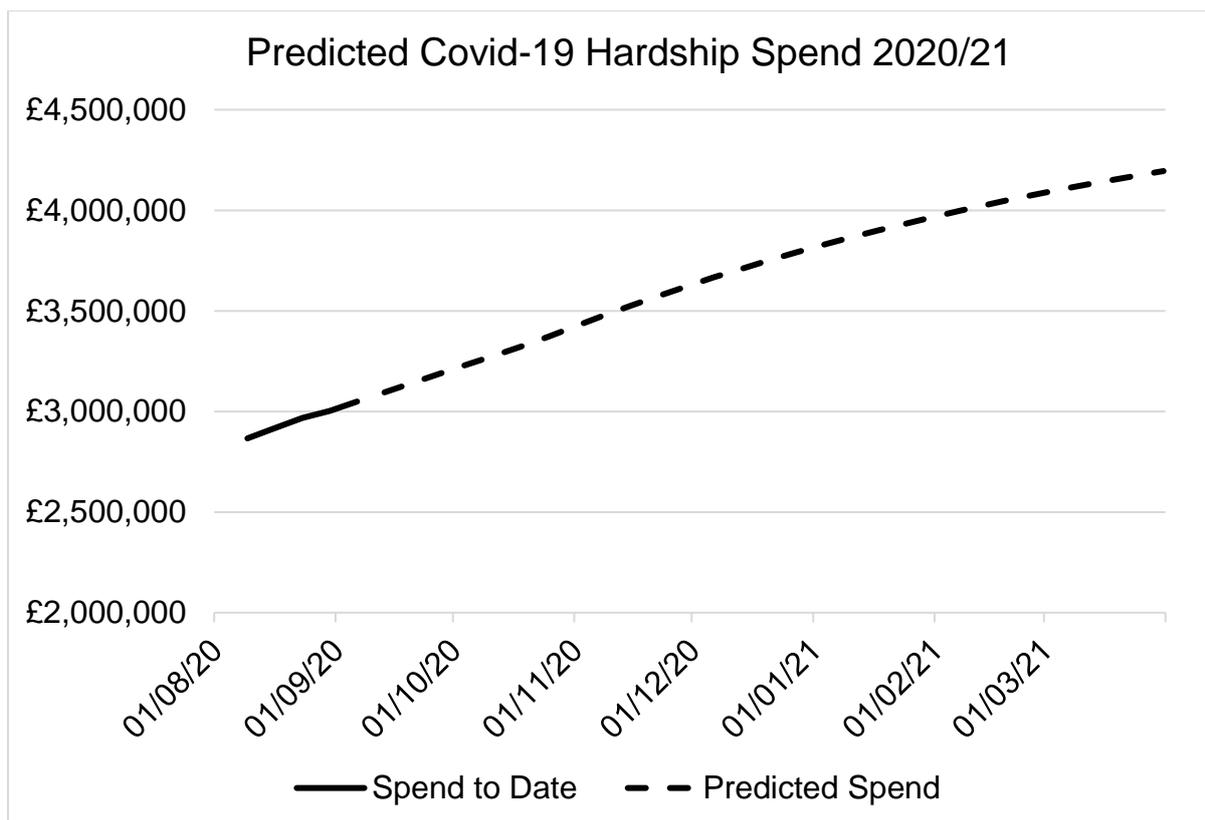
- 61 Despite the pressures of this increased demand, the council has continued to offer a good level of service to residents. So far this year, new LCTRS claims have been processed in an average of 19 days of being received, ahead of a service target of 21 days. LCTRS changes in circumstances have been processed in an average of four days, ahead of a service target of nine days.
- 62 To help maximise take up of LCTRS we continue to treat a notification from the DWP of a new UC claim, as a new claim for LCTRS. In addition, work has been undertaken between our Welfare Rights and Communications teams to update and improve the information on our website concerning help available to residents facing redundancy – gathering information about benefits, access to training and jobs, money advice, and housing into one place.

Review of Covid-19 Hardship Fund

- 63 A number of measures have been introduced by the UK Government aimed at supporting businesses and individuals affected by Covid-19. These range from making existing welfare benefits more generous to offering substantial support for businesses to pay wages.
- 64 In March 2020, the Government announced a £500m hardship fund, of which Durham was allocated £6,964,443, to provide support to economically vulnerable people and households during the Covid-19 pandemic.

- 65 Councils are able to spend this funding in any way which supports vulnerable people and households. However, the Government announced that it was their 'strong expectation' that the most of the funding would be used to give all working age LCTRS recipients a further reduction in their 2020/21 council tax bill of £150, or a reduction of their liability to nil if their liability was already below £150.
- 66 As highlighted earlier, most English local authorities cap their LCTRS scheme for working age claimants and require a minimum payment from these residents. In Durham there is no such cap and as a result 80% of our working age LCTRS recipients have no council tax to pay.
- 67 For most authorities, with less generous LCTR schemes, awarding the £150 recommended by the Government is proving to cost more than their share of the £500m hardship funding. In Durham, however, modelling showed we could afford to give more help to our economically vulnerable residents. On 4 May 2020, under a delegated decision taken by the Corporate Director of Resources, the Council adopted a policy (Appendix 2) which provided an enhanced scheme, offering a reduction of up to £300.
- 68 Benchmarking with other North East local authorities has shown that Durham is the only authority in the region to offer residents support in excess of the £150 recommended by the Government.
- 69 Guidance from the Ministry of Housing Communities & Local Government (MHCLG) issued in March 2020 stated that *'The Government [...] expects that billing authorities will primarily use their grant allocation to reduce the council tax liability of individuals in their area, using their discretionary powers under s13A(1)(c) of the Local Government Finance Act 1992. Councils may also want to use some funding to deliver increased financial assistance through other local support mechanisms, having considered local circumstances.'*
- 70 There is no absolute requirement to spend all or even most of the Covid-19 hardship funding on help with council tax. The grant can however be used for anything that supports the community, including allocating funding to support foodbanks, advice services, or local welfare schemes. These are all legitimate ways to spend the funding and councils can even use the funding to help cover the increased cost of CTR scheme due to Covid-19.
- 71 To ensure that the hardship funding is used to support the most vulnerable in our county, £1m of the grant received was set aside to supplement the council's Welfare Assistance Scheme, anti-poverty and community resilience measures in 2020/21, leaving £5,964,443 of grant to provide additional support to residents.
- 72 To date (position as at 11 September 2020) awards of up to £300 have been made to 12,624 households, with additional support totalling £3.1m.

- 73 The Councils benefits system automatically calculates and award awards, based on the outstanding council tax liability after LCTRS, for the period starting on the start date of LCTRS entitlement in 2020/21 up to 31 March 2021. As new LCTRS claims are assessed, new hardship payments of up to £300 are made alongside automatically. As LCTRS claims are recalculated due to changes in residents' circumstances, hardship payments are automatically adjusted as required.
- 74 The continued impact of Covid-19 on the local economy, with the imminent withdrawal of the furlough scheme and the implementation of local restrictions in recent months brings additional pressure on employers, and risks increases in unemployment. We are expecting high volumes of claims for LCTRS to continue and for the working age caseload to remain high into 2021/22.
- 75 Modelling has been undertaken to estimate the potential expenditure in relation to this fund, so that consideration can be given to the current policy, and to adapting it to provide additional support during periods of continued economic uncertainty.
- 76 It is important to consider what support may be currently needed, as well as use of the funding to mitigate financial difficulties for our council tax paying residents during the coming financial year.
- 77 It remains unclear, at this stage, as to whether MHCLG will offer a similar hardship grant in 2021/22 if Covid-19 continues to have a significant impact on the economy.
- 78 As the chart below shows the estimated total spend for 2020/21 is currently estimated to be £4.2m:



79 Under current plans, the council is expected to have around £1.8m of the Covid-19 hardship funding allocated to LCTRS top up payments unspent at the end of 2021.

Covid-19 Hardship Fund: Options

- 80 Given the potential for surplus funding to be available, continuing uncertainty surrounding the economy and for increased pressure on household incomes; consideration needs to be given to the following options:
- (a) Extending top up hardship awards into 2021/22 for those receiving LCTRS, of up to £150 - estimated cost of £2.4m.
 - (b) Extending top up hardship awards into 2021/22 for those receiving LCTRS, of up to £100 - estimated cost of £1.7m.
 - (c) Extending top up hardship awards into 2021/22 for those receiving LCTRS, of up to £50 - estimated cost of £900,000
 - (d) To spend the leftover hardship funding in other ways which supports economically vulnerable residents – such as support for foodbanks or advice services.
 - (e) To help fund the increased cost of LCTRS in 2020/21 and / or increase the level of top up payments awarded to LCTRS claimants in the current year.

- 81 The recommended option is to continue the LCTRS hardship top up payments to LCTRS claimants in 2021/22 at a rate of up to £100. In doing so the Council would be ensuring that the grant allocation is fully expended for the purposes for which it was intended and would be tapering off support to financially vulnerable households, who have received up to an additional £300 of support this year.

Conclusion

- 82 There is a statutory requirement for Full Council to approve the Local Council Tax Reduction Scheme (LCTRS) to be operated in 2021/22 before 11 March 2021. Following consideration of this report the intention is to put proposals to the County Council at its meeting on 2 December 2020.
- 83 The council will need to continue to review the national situation and track what is happening in local authorities that have introduced LCTRS that have reduced entitlement to their working age claimants in terms of impacts and performance in terms of recovery of the council tax due.
- 84 The reasons for extending the current scheme are due to the current scheme remaining within existing cost parameters for the council and concerns over the impact that changing the scheme and introducing measures to increase charges to working age claimants would have at this time, particularly in light of the current economic outlook for our area as we seek to recover from the impact of the Covid-19 pandemic.
- 85 Whilst the full impacts of the Government's welfare reforms and the impact of covid-19 are complex and difficult to track, demand for Discretionary Housing Payments; social fund applications and rent arrears statistics in County Durham compared to others across the region, would suggest that the council tax benefit protection afforded to working age claimants, in addition to the wide ranging proactive support that has been put in place, is continuing to have a positive impact on these households.
- 86 The council will also need to keep track of the ongoing and increasing impact of the roll out of UC. This presents continuing challenges for the administration of LCTRS as it results in a much higher number of changes in circumstances and removes the administrative economies of scale currently achieved by administering Housing Benefit and LCTRS claims side by side.
- 87 More significantly however, UC changes results in multiple reworking and changes to LCTRS entitlement throughout the year and multiple bills being issued to individual households resulting in numerous changes to their net liability and instalment plans for any council tax balance they are responsible for. After many years of continued improvement, our in-year

council tax collection rate reduced slightly in 2018/19 to 96.65% and further still in 2019/20 to 96.37%.

- 88 Any proposed changes to the LCTRS for 2022/23 would need to be consulted upon and, should any changes be proposed, a report would need be brought to Cabinet in spring / summer 2021 before embarking on a consultation process thereafter.
- 89 The council has receiving grant funding of almost £7m from MHCLG to support economically vulnerable residents affected by Covid-19. The majority of this funding, approximately £4.2m is being used to give working age LCTRS recipients an additional reduction in their council tax bill of up to £300. A further £1m has been used to supplement the council's Welfare Assistance Scheme, anti-poverty and community resilience measures in the coming year. This leaves an anticipated £1.8m available for the council to use to offer further support to residents.
- 90 This report recommends that the remainder of the Covid-19 hardship fund is retained and carried over to 2021/22 and that the council continues to make LCTRS hardship top up payments to LCTRS claimants in 2021/22 at a rate of up to £100. In doing so the Council would be ensuring that the grant allocation is fully expended for the purposes for which it was intended and would be tapering off support to financially vulnerable households, who have received up to an additional £300 of support this year.

Background papers

- Local Government Finance Act 1992 (section 13A)
- Welfare Reform Act 2012
- The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012
- The Impacts of Localised Council Tax Support Schemes – Institute for Fiscal Studies Report January 2019
- Delegated Decision report - Allocation of Council tax: COVID-19 hardship fund 2020 to 2021. 04 May 2020.
- Ministry of Housing, Communities and Local Government – COVID-19 Hardship Fund 2020-21 Local Authority Guidance. March 2020.

Other useful documents

- Medium Term Financial Plan (11), 2021/22-2024/25 – Report to Cabinet 14 October 2020

- Forecast of Revenue and Capital Outturn 2020/21 period to 30 June 2020 and Update on Progress towards achieving MTFP(10) Savings – report to Cabinet 16 September 2020
- Forecast of Revenue and Capital Outturn 2020/21 period to 30 September 2020 and Update on Progress towards achieving MTFP(10) Savings – report to Cabinet 18 November 2020

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Appendix 1: Implications

Legal Implications

Local Council Tax Reduction Scheme

The Welfare Reform Act 2012 abolished the national council tax benefits system (CTB), paving the way for new Local Council Tax Reduction Schemes (LCTRS) to be introduced under the auspices of the Local Government Finance Act 1992.

Section 13A of the Local Government Finance Act 1992 (“the 1992 Act”) requires each billing authority in England to make a scheme specifying the reductions which are to apply to amounts of council tax payable by persons, or classes of person, whom the authority considers are in financial need (“a council tax reduction scheme”).

The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 (“the 2012 Regulations”) prescribe matters which must be included in such a scheme in addition to matters set out in paragraph 2 of Schedule 1A to the 1992 Act.

Each year regulations amending the 2012 Regulations are made in November/December. The majority of the amendments are to ensure consistency with changes to social security legislation and these are subsequently included in our local scheme.

The LCTRS provides a ‘discount’ against the council tax charge, rather than a benefit entitlement and as such impacts on the council’s tax base.

Regulations made under the Local Government Finance Act 1992 (The Local Authorities (Calculation of Council Tax Base) Regulations 1992 (as amended) the council to calculate a council tax base for each financial year.

The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 which came into force on 30 November 2012 and applies to the financial years beginning 1 April 2013 onwards contains the rules which require the council to calculate the Council Tax Base.

A key element of the tax base calculation is the council’s policy in terms of its LCTRS.

There is a statutory requirement for the Council to adopt a local council tax support scheme for the ensuing financial year by 11 March each year. Where the council is proposing any changes to its scheme, there is a statutory requirement to consult on these proposals in advance of making any changes.

Pensioners have to be protected from any changes, with any reductions applied to working age claimants only.

Council Tax: Covid-19 Hardship Fund Payments

The ability to reduce a council tax charge is included in Section 13A Local Government Finance Act 1992 as amended by Local Government Act 2003, section 76. Section 76 gives councils the authority to make a discretionary reduction in council tax in circumstances that it deems appropriate. This may be exercised in relation to cases or by determining a class of property in which the liability is to be reduced to an extent provided by the determination.

Finance

Local Council Tax Reduction Scheme

The funding made available to support the LCTRS in 2013/14 (90% of the previous funding available under the Council Tax Benefit System) now forms part of the council's formula funding arrangements.

The council has continued to pass on the town and parish element of its formula grant over the last eight years but in doing so continue to apply pro-rata reductions in the Council Tax Support Grant paid to town and parish councils.

In 2020/21 Town and Parish Councils received £1.332m of LCTRS grant allocations and for budget planning purposes have been advised that the Council will retain payments at this level next year, though the amount of grant provided to individual town or parish councils may vary according to the year on year changes in their tax raising capacity.

The council is responsible for the costs of any increase in caseload as the level of Government support is fixed within formula grant.

Prudent estimates and provisions were built into the tax base forecasts at budget setting, and whilst the council is subject to greater financial risk now, the current scheme remains within the budget provisions.

Should the council review its scheme and reduce maximum entitlement to working age claimants, depending on the forecasted council tax collection from affected low income households, there would be scope to increase council tax revenues by between £3.01million (based on a scheme that awarded maximum entitlement to working age households of 90% with a prudent collection rate of 80%) and £5.1million (based on a scheme that awarded maximum entitlement of 83.5% with a prudent collection rate of 80%).

This would impact circa 36,200 working age households across County Durham, where 6,950 (19%) are actually in low paid jobs rather than being unemployed.

Council Tax: Covid-19 Hardship Fund Payments

Durham was allocated £6,964,443 from the £500million Hardship Fund announced in March 2020 to support economically vulnerable people and households. The funding has been paid to the council through a grant under section 31 of the Local Government Act 2003.

In order to ensure that the funding is used to support the most vulnerable in our county, £1million of the grant received was set aside to supplement the council's Welfare Assistance Scheme, anti-poverty and community resilience measures in the coming year, leaving £5,964,443 of grant to provide additional support to an enhancement to our LCTR scheme.

To provide the additional support, with effect from 1 April 2020, the council adopted the following policy:

- Recipients of LCTRS during 2020/21 will have their liability reduced by up to £300 following the application of a Hardship Award; based on their liability after the start date of LCTRS.
- Where following the application of LCTRS a taxpayer's liability for 2020/21 is nil, no reduction to the council tax bill will be available.

To date (position as at 11 September 2020) awards of up to £300 have been made to 12,624 households, additional support totalling £3.1m. The estimated total spend for 2020/21 is currently forecast to be £4.2m, which would result in circa £1.8m of the funding allocated to this scheme unspent in 2020/21.

It is anticipated that the continued impact of Covid-19 on the local economy, with the imminent withdrawal of the furlough scheme and the implementation of local restrictions in recent months will bring additional pressure on employers, and risks increases in unemployment. We are expecting high volumes of claims for LCTRS to continue and for the working age caseload to remain high into 2021/22.

Consultation

Local Council Tax Reduction Scheme

Town and parish councils were consulted on the proposals to continue to passport an element of the council's formula grant, equivalent to the town and parish share of the Local Council Tax Reduction Scheme grant funding within formula grant for 2020/21. This coincided with a review of payments made to Town and Parish Councils previously linked to pre-existing and inconsistent arrangements in the former district councils for services that had been devolved to them.

Subject to Cabinet and Council consideration of the proposals outlined in this report, no further consultation will be required. The proposals are to extend and continue the current LCTRS into 2021/22, thereby retaining the same level of

support to all working age council tax payers as the previous Council Tax Benefit Scheme, which was abolished on 1 April 2013.

Equality and Diversity / Public Sector Equality Duty

Eight years after the Government abolished the national Council Tax Benefits System the council continues to have a LCTRS which mirrors the previous entitlement under the Council Tax Benefit System for all claimants. No council tax benefit claimants have therefore been financially worse off in the last eight years than they would have been under the previous national scheme and if the proposals set out in this report and ultimately agreed by Council in the autumn this will continue to be the case.

The Government EIA on the LCTRS was published in January 2012 and is relatively brief. It considered equality impacts in relation to age and disability, concluding that protection for pensioners would be a positive impact and the effects on disabled people would depend on how each local authority responded to the reduction in council tax support. No impacts were identified in relation to gender or ethnicity and no other protected characteristics were considered and it was left to individual councils to identify full local impacts, based on local implementation.

Given the proposals to extend the current LCTRS into 2021/22 thereby continuing to protect current entitlement, there will be no negative equalities impact, with the financial position of claimants protected in 2021/22.

Should the Council decide against extending the current scheme into 2021/22 and elect instead to pass on reductions to working age claimants, there would be a range of potential negative equalities impacts. These include financial impact for working age claimants and possible additional impacts in relation to health and wellbeing, housing and the consequences of debt or legal action. These impacts are most likely in relation to gender, age and disability with limited impacts for race and sexual orientation and no evidence of impact on transgender status, religion or belief.

The award of help from the Hardship Fund has had a positive impact on working age LCTRS recipients along with any council taxpayers who do not qualify for LCTRS but are awarded a reduction from the Hardship Fund.

Climate Change

None.

Human Rights

None.

Crime and Disorder

Any reduction in council tax support, alongside other welfare changes could see an increase in crime if customers seek to increase their income to make up for the benefits lost. The proposals set out in this seek to protect current entitlement in 2021/22 and as such have no implications, though the impact of the wider welfare reforms agenda will need to be kept under constant review.

Staffing

None.

Accommodation

None.

Risk

The report outlines a range of financial risks surrounding the LCTRS. These are being effectively managed at this time. Given that the proposal is to extend the current arrangements into 2021/22 there are no system development issues or risk associated with these proposals.

The council will need to keep track of the impact of the roll out of Universal Credit (UC). This presents new challenges for the administration of LCTRS as it results in a much higher number of changes in circumstances (experience is that the UC earned income element changes frequently as the person moves through the claimant commitment with their Work Coach) and removes the administrative economies of scale currently achieved by administering Housing Benefit and LCTRS claims side by side.

More significantly however, UC changes results in multiple reworking and changes to LCTRS entitlement throughout the year and multiple bills being issued to individual households resulting in numerous changes to their net liability and instalment plans for any Council Tax balance they are responsible for. After many years of continued improvement, our in-year council tax collection rate reduced slightly in 2018/19 to 96.65%, and further still in 2019/20 to 96.37%.

The amount of support provided through the Council Tax: Covid-19 Hardship Fund Payments will continue to be carefully monitored to ensure that this funding is fully utilised.

Procurement

None.

Durham County Council

Council Tax Section 13A(1)(c) Local Government Finance Act 1992

Discretionary Council Tax Hardship Reduction (Covid–19) Policy

(Version 9: 18 November 2020)



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1 Introduction and purpose of Policy Document

- 1.1 This policy sets out the council's approach to the awarding of a discretionary discount under Section 13A(1)(c) of the Local Government Finance Act 1992 in certain circumstances for people affected by coronavirus (Covid-19). It has been designed to ensure that all customers making an application are treated in a fair, consistent and equal manner.
- 1.2 This policy has been written to:
- a. Set guidelines for the factors that should be considered when deciding to award or refuse an application.
 - b. Set out the delegated authority to award the Hardship Reduction in appropriate circumstances.
 - c. Establish an appeals procedure for customers dissatisfied with a decision.
 - d. Safeguard the interest of the local taxpayers by ensuring that funds that are allocated for the award of Hardship Reduction are used in the most effective and economic way.

2 Background

- 2.1 The council's Local Council Tax Reduction Scheme (LCTRS) offers means tested support in the form of reduced council tax bills. Since the national council tax benefit scheme was abolished in 2013, Durham's LCTRS is one of a small minority in England, and the only one in the North East, which offers an equivalent support to the old benefit scheme, with working age residents able to receive reductions of up to 100% of their council tax charge. As more residents' finances are affected by coronavirus (Covid-19), the scheme will assist those:
- already in receipt of LCTRS, who have a reduction in income and may qualify for an additional reduction in their council tax bill, and
 - who make new claims for LCTRS as a result of a drop or disruption in their income.
- 2.2 The LCTRS will be an important route to deliver meaningful support to those affected by coronavirus (Covid-19) over the coming months. Before any additional support is considered through the Discretionary Reduction (Covid-19) policy, residents will be expected to investigate whether help would be available to

them under LCTRS. Residents can check whether they would receive LCTRS and be given an estimated award by using the online calculator on our website at <https://www.durham.gov.uk/counciltaxreduction>.

- 2.3 The level of Support available under LCTRS is based on a household's income and savings. If a household's savings are over £16,000 or if total income is significantly above their 'appropriate amount' then no LCTRS can be awarded. The 'appropriate amount' is the minimum income which a household is deemed to need to meet their necessities, excluding housing costs and council tax. It is calculated based on factors such as the household's size, disabilities and caring responsibilities. The figures used mirror those used in national Department for Work and Pension benefits such as Universal Credit, Job Seekers Allowance and Employment and Support Allowance.
- 2.4 Some residents may find themselves in compromised financial situations as a result of coronavirus (Covid-19) but have no entitlement to LCTRS or to one or more of the Government's other support schemes.
- 2.5 In response to the challenges posed by the coronavirus (Covid-19) pandemic, the government announced a new £500 million Hardship Fund for Local Authorities to support economically vulnerable people and households struggling to meet their council tax payments.
- 2.6 The Government expectation was for Local Authorities to primarily use their grant allocation to reduce the council tax liability of individuals in their area. Funding has been allocated to Local Authorities based on their share of the national caseload of working age LCTRS recipients using the most recent published data.
- 2.6 The Government's strong expectation is that Local Authorities will provide all recipients of working age LCTRS during the financial year 2020-21 with a further reduction in their annual council tax bill of a minimum of £150, using their discretionary powers to reduce the liability of council tax payers outside of their formal LCTRS scheme design.
- 2.7 Where a taxpayer's liability for 2020-21 is, following the application of LCTRS, less than £150, then the Government expect their liability will be reduced to nil. Where a taxpayer's liability for 2020-21 is nil, no reduction to the council tax bill will be available.
- 2.8 There will be no need for any recipient of LCTRS to make a separate claim for a reduction under this scheme. The Local

Authority will assess who is eligible for support from the hardship fund and automatically rebill those council taxpayers.

- 2.9 Having allocated grant to reduce the council tax bill of working age LCTRS recipients by a further £150, the government has stated that Local Authorities should establish their own local approach to using any remaining grant to assist those in need. This may include, but is not restricted to, providing additional relief through existing discretionary discount/hardship policies (adapted where necessary in order to capture those most likely to be affected by coronavirus (Covid-19)).

3 Council Tax Discretionary Reduction (Covid-19) Policy

3.1 Introduction

- 3.1.1 Councils have the power to reduce the amount of council tax a person must pay to such an extent as they see fit. This includes the power to reduce an amount to nil, and, may be exercised in relation to cases or by determining a class of property in which liability is to be reduced to an extent provided for by the determination.

3.2 Legislation

- 3.2.1 The ability to reduce a council tax charge is included in Section 13A Local Government Finance Act 1992 as amended by Local Government Act 2003, section 76. Section 76 gives councils the authority to make a discretionary reduction in council tax in circumstances that it deems appropriate.

3.3 Durham County Council Policy

- 3.3.1 The Council will adopt the following policy with effect from 1 April 2020:
- a. Where following the application of LCTRS a taxpayer's liability for 2020/21 and/or 2021/22 is nil, no reduction to the council tax bill will be available.
 - b. Recipients of LCTRS during 2020/21 will have their liability reduced by up to £300 following the application of a Hardship Award; based on their liability after the start date of LCTRS.
 - c. Recipients of LCTRS during 2021/22 will have their liability reduced by up to £100 following the application of a Hardship Award; based on their liability after the start date of LCTRS

- 3.3.2 Some residents who find themselves experiencing severe financial hardship as a result of coronavirus (Covid-19) but who have no entitlement to LCTRS or to one or more of the Government's other support schemes may receive help towards reducing their council tax liability by the award of a discretionary (Covid-19) discount.
- 3.3.3 Applications for a reduction will only be considered in individual cases where severe financial hardship as a result of coronavirus (Covid-19) can be demonstrated and all routes for existing help that the council can already provide have been explored and exhausted.
- 3.3.4 Where an application is successful, the reduction will be applied directly to the council tax account.

3.4 Criteria

- 3.4.1 Each application will be assessed on its individual merits. When assessing applications, the following considerations will be made:

Is the customer currently in receipt of LCTRS?

All existing LCTRS working age claimants in 2020/21 will receive an award of up to £300, unless their liability is nil.

All existing LCTRS working age claimants in 2021/22 will receive an award of up to £100, unless their liability is nil

If the customer is not currently in receipt of LCTRS, will they now qualify?

New claimants should be signposted to the online calculator and application form and encouraged to check their entitlement and make a new application for council tax reduction as soon as possible. Following the assessment of their claim for LCTRS the award of the additional top up support outlined in this policy will be applied.

Has the customer explored other methods of maximizing their income?

Customers should be signposted to apply for Employment and Support Allowance or Universal Credit where appropriate. Customers should also be encouraged to contact their mortgage provider or landlord and organisations to whom they owe debt, as many are now offering support and arrangements for repayment.

Do the customer's current financial circumstances demonstrate an inability to pay their council tax or in doing so would cause extreme hardship?

In cases where entitlement to LCTRS is not applicable, customers can make an application for support under the Discretionary Hardship Reduction Policy. The customer will be required to submit a Hardship Reduction application. Officers will review the completed financial statement issued with the hardship application form to establish the level of hardship and their eligibility for support. Should this support be warranted then a discretionary award of up to £300 can be made against the council tax liability for 2020/21 and up to £100 for the council Tax liability for 2021/22, in line with the top up provided to LCTRS working age claimants.

If the circumstances are short term, would a payment arrangement / deferred instalment plan be more appropriate?

Payment arrangements / deferred instalment plans should be explored with the customer as part of the application for Hardship Reduction.

3.4.2 All applications for Hardship Reduction are only intended as short-term assistance for exceptional circumstances. Any award should not be considered as a way of reducing council tax liability indefinitely or for reducing arrears.

3.4.3 Each application will be looked at individually and considered on its own merits.

3.5 The Application

3.5.1 All applications for Hardship Reduction under this policy should be made by completing the online digital application form and financial statement.

3.5.2 It is the responsibility of the council taxpayer applying for a reduction to provide enough information and evidence to support their application. If the council taxpayer applying does not or will not provide the required evidence; the application will still be considered, but only based on the information and evidence provided.

3.5.3 Further information may be requested to support an application. Where a request for further information is made, the information must be provided within four weeks. Failure to provide information within four weeks will result in the application being considered on the information and evidence that has already been provided.

3.6 The Decision-Making Process

3.6.1 Upon receipt of an application and all supporting information a standard decision-making process will be followed:

- Applications will be considered by the Finance Team within a target of 10 days from receipt of a signed application, financial statement and all supporting information.
- The applicant will be advised in writing of the decision within a target of 10 days of receiving enough information to allow the assessment of the application and a revised council tax demand notice will be issued where applicable.

3.7 Review of Decision

3.7.1 The council will accept a request from the applicant for a re-determination of its decision.

- Re-determination of the decision will be by a Senior Officer within the Finance Team.
- Requests should be made in writing stating the reasons why it is believed that the decision should be reviewed.
- The council will consider whether the council taxpayer has provided any additional information that will justify a change to its original decision.
- The council will notify the council taxpayer of its final decision within 21 days of receiving a request for a re-determination.
- Whilst every effort will be made to meet the deadline outlined above, failure by the council to do so does not qualify the claimant for Hardship Reduction.
- If a claimant remains dissatisfied with the refusal of their application, they may appeal to the Valuation Tribunal for England (VTE). They have two months to do this from the date of our reply.

Valuation Tribunal
3rd Floor
Crossgate House
Wood Street
Doncaster
DN1 3LL
Telephone: 0300 1232035

Fax: 01302 329935

E mail: vtDoncaster@valuationtribunal.gov.uk

3.8 The Award

- 3.8.1 The award will be for a maximum of £300 made against the council tax liability for 2020/21 and a maximum of £100 made against the council tax liability for 2021/22.
- 3.8.2 Where an application is successful, an award letter will be issued as confirmation along with an amended bill showing revised instalments.
- 3.8.3 Where an award has been made and subsequently the council tax account goes into credit at any point during the financial year, the credit will remain on the account to be used to offset any balances which may subsequently arise. The credit will be reviewed at the end of the financial year and where appropriate transferred to the following financial year to reduce the balance.
- 3.8.4 Where an award has been made and a council tax account goes into credit up to the amount of any payments that have been made during the financial year, the credit will be reviewed at the end of the financial year and a refund may be issued where appropriate.
- 3.8.5 Where a customer requests a refund before the end of the financial year, we will consider these requests only where the credit has arisen due to payments made by the customer and each case will be looked at individually and treated on its own merit