

**Cabinet**

**17 November 2021**

**Local Council Tax Reduction Scheme  
Support Payments**



**Key Decision No. CORP/R/21/05**

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**Report of Corporate Management Team**

**Paul Darby, Corporate Director of Resources**

**Councillor Richard Bell, Cabinet Portfolio Holder for Finance and  
Councillor Alan Shield, Cabinet Portfolio Holder for Equality and  
Inclusion**

**Electoral division(s) affected:**

Countywide

**Purpose of the Report**

- 1 To provide an update on the Local Council Tax Support Payments awarded in 2020/21, funded through the Government's Covid 19 Hardship Funding and in 2021/22 through the Government's Local Council Tax Support Scheme funding; these additional payments offer further financial support to our most vulnerable households affected by the pandemic.
- 2 Within Durham these "top up" payments enhance support already provided through Durham's Local Council Tax Reduction Scheme (LCTRS) which continues to offer the same level of support to all claimants as was available under the former Council Tax Benefit scheme. By utilising the Hardship Fund in this way, to make additional direct awards to LCTRS working age claimants, this enables support to continue to be provided to those low-income families who have been the most significantly impacted by challenges arising from the pandemic, recent changes to welfare provision and from current economic conditions.
- 3 This report also:
  - (a) provides cabinet with information on the current and forecast expenditure against the Covid-19 Hardship Fund and the Local Council Tax Support Scheme Grant we have received; and

- (b) seeks approval for the allocation of the remaining Covid-19 Hardship/Local Council Tax Support Scheme Funding to continue to provide support, through the additional awards, on a tapered basis, to vulnerable residents during 2022/23 and 2023/24 as we recover from the pandemic.

## **Executive summary**

- 4 The Council's Local Council Tax Reduction Scheme (LCTRS) provides support to reduce the Council Tax liability for low-income households. Durham's scheme continues to offer the same level of support to all claimants as was available under the former Council Tax Benefit scheme.
- 5 National research confirms that there is a clear correlation between caps on the amount of LCTRS support provided and lower council tax collection rates.
- 6 Full Council agreed in October 2021 to extend the current LCTRS scheme in its current form, into 2022/23.
- 7 There are currently 56,328 LCTRS claimants in County Durham, of which 21,117 (37%) are pensioners and 35,211 (63%) are working age. Almost 80% of all working age claimants currently receive 100% LCTRS discount, with LCTRS support forecast to be circa £62m in 2022/23. There are circa 19,300 LCTR claimants receiving UC, almost 55% of the working age LCTR caseload.
- 8 The coronavirus pandemic has had a significant impact on the LCTRS working age caseload in particular, which increased dramatically in the first quarter of 2020/21 as an unprecedented number of new claims were received from 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 2020 and remains around 1,000 higher than pre-pandemic levels.
- 9 In March 2020 the Government announced a Covid 19 Hardship Fund, from which Durham was allocated £6,964,443, to provide additional 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. This was based on an assumption (as is the case in most other authorities) that the level of support a working age claimant could receive was capped and all working age claimants were required to contribute in some way to their council tax liabilities.
- 10 The Council adopted a policy which provided an enhanced scheme, offering an additional reduction of up to £300 where the working age claimant was left with a bill to pay after their entitlement to LCTRS

support was calculated. 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 100% LCTR and had no council tax to pay. To ensure that the Covid-19 hardship funding was fully used to provide further support to 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.

- 11 In November 2020, as part of the Spending Review, the Government announced a further fund intended to be used to cover the continuing increased costs of Council Tax Support into 2021/22. Durham received £7,043,299 from this Local Council Tax Support Scheme Grant and it was agreed that this funding would be used to extend the additional reductions of up to £300 to working age LCTR claimants during 2021/22 at an estimated cost of £3.9m. In addition to this, £1.4m of the funding was also allocated to the Area Action partnerships (AAP's) to support local welfare projects across the county. Each AAP being allocated £100,000.
- 12 It is estimated that by the end of 2021/22, after administering these additional payments to support the reduction of council tax bills by up to £300 for working age residents receiving LCTR in 2020/21 and 2021/22, the council will have committed just over £8m of the funding from both allocations to support these payments.
- 13 There are a number of factors which continue to impact household income; particularly for those more vulnerable, low income, households. These factors include the ongoing impact of the Covid 19 pandemic; the withdrawal of the £20 per week Universal Credit uplift; increasing energy costs; the cessation of mortgage holidays; the resumption of formal recovery action in relation to household bills and rent and the re-consideration of benefit claims by the Department of Work and Pensions. Consideration therefore needs to be given to providing ongoing support in relation to Council Tax liability for those more vulnerable households as we move into 2022/23 and 2023/24.
- 14 In guidance published by the Department for Levelling Up, Housing and Communities (DLUHC), the Government have made it clear that the second round of funding, the Local Council Tax Support Scheme Grant, was intended, to be specifically used for support with council tax. The policy paper explains that the 'funding is unringfenced but is provided towards expenditure incurred, or to be incurred, in respect of the provision of local council tax support in 2021/22'. The Council has taken the approach to use this funding to make direct awards in terms of "top up" support for those claiming Council Tax Reduction, to directly reduce the financial pressure on low income households across the county. The Council also continues to fund a range of other support mechanisms for households in financial difficulty and has determined to not use this

funding to cover the increased cost of their main LCTRS as a result of the pandemic, as many Councils have.

- 15 Given the requirements of the second round of funding and in order to continue to provide additional support for working age recipients of the Council Tax Reduction Scheme over the next two financial years, it is recommended that the remaining Covid-19 hardship/Local Council Tax Reduction Scheme funding is used to continue to offer the additional support to working age LCTRS recipients of up to £150 in 2022/23 and up to £75 during 2023/24. The estimated cost of this would be £2.3m in 2022/23 and £1.2m for 2023/24.
- 16 When the previous allocations to the AAPs and to the Welfare Assistance Scheme from this grant are factored in, the forecast costs of these proposals are to spend the grant funding in full.
- 17 If approved, these additional awards will enable the county's more vulnerable households to continue to receive support as their income continues to be affected by the restrictions put into place to control the virus and through the ongoing pressures on their finances as we move towards recovery as other support measures put in place during the pandemic are withdrawn.
- 18 The extension of the additional support also allows it to be tapered to enable households to adjust to the reinstatement of their usual Council Tax liability from April 2024. It will be important therefore that we clearly communicate this to households in receipt of the awards so that residents understand the additional support being offered will remain in place until there is a return to the normal arrangements for the collection of Council Tax liability in 2024/25.

## **Recommendations**

- 19 Cabinet is recommended to:
  - (a) ensure full use of the Covid-19 Hardship Fund/Local Council Tax Support Grant allocations to support vulnerable residents experiencing financial difficulty by extending the existing top up arrangements into 2022/23 and 2023/24, making a maximum additional payment of up to £150 to eligible residents in receipt of Council Tax Reduction in 2022/23 and up to £75 in 2023/24.

## **Background**

- 20 In March 2020, the Government announced a £500m Covid-19 hardship fund, of which Durham was allocated £6,964,443, to provide additional 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 remaining funding to assist residents in need.
- 21 The Government's strong expectation was that billing authorities provide all working age LCTRS recipients with a minimum of up to a further £150 reduction in their annual bill for 2020/21. This was based on an assumption (as is the case in most other authorities) that the level of support a working age claimant could receive was capped and all working age claimants were required to contribute in some way to their council tax liabilities.
- 22 The Council adopted a policy which provided an enhanced scheme, offering an additional reduction of up to £300. This enhanced scheme was affordable in Durham because our LCTRS is more generous and already reduces most (80%) 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.
- 23 In November 2020, as part of the Spending Review, the Government announced a further Local Council Tax Support Scheme Grant for 2021/22. Of the funding that was made available nationally, Durham received an allocation of £7,043,299. As a result, it was agreed to extend the enhanced scheme of support for working age LCTRS claimants, continuing to offer up to £300 of additional support during the 2021/22 financial year.
- 24 This report provides an update on the Covid-19 hardship fund expenditure in 2020/21 and an estimate for use of the Local Council Tax Support Grant funding for 2021/22. It is expected that there will be an amount of grant unspent from these schemes which could be utilised to provide further support into 2022/23 and 2023/24. Recommendations are given about how the council can ensure the grant funding is fully and effectively spent to continue to support vulnerable residents following the impact of the pandemic on household finances.
- 25 There are currently 56,328 LCTRS claimants in County Durham, of which 21,117 (37%) are pensioners and 35,211 (63%) are working age claimants. Almost 80% of all working age applicants receive maximum help, leaving them with no council tax to pay, with the cost of LCTRS support forecast to be circa £62m in 2021/22.

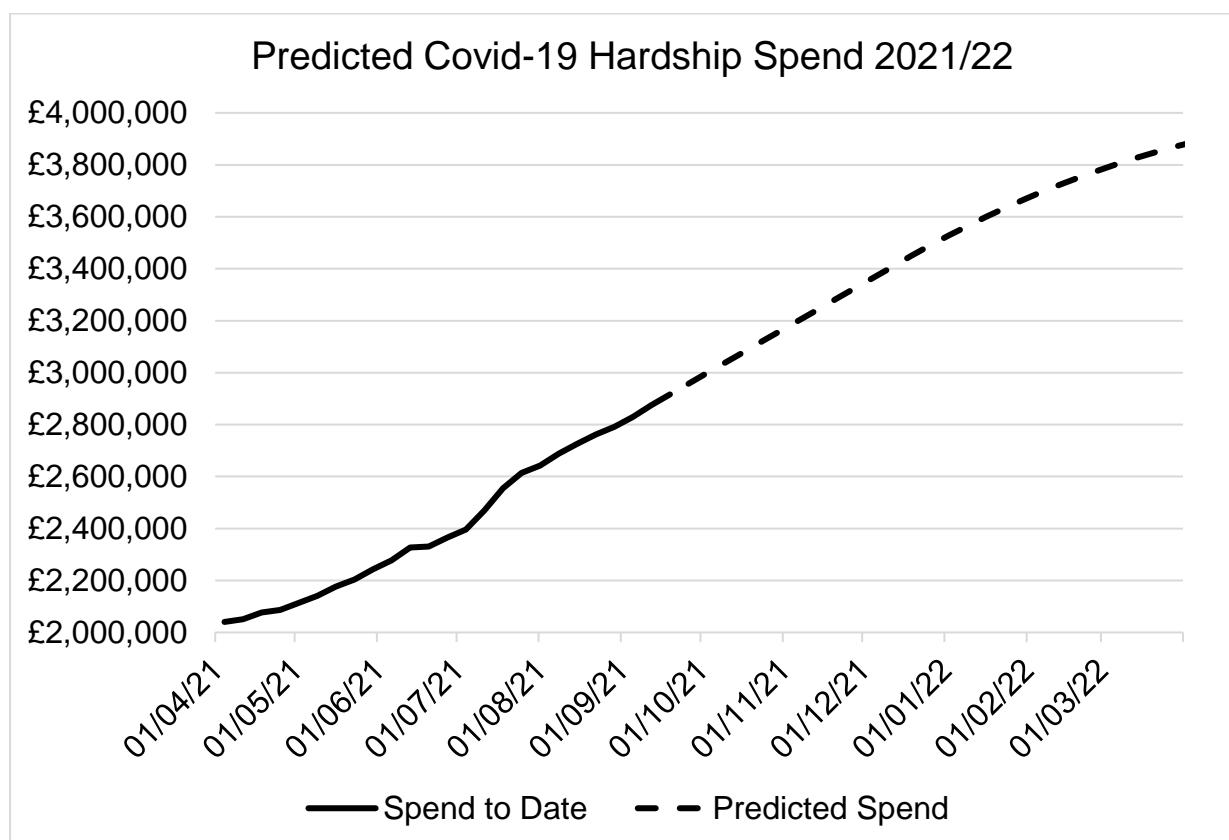
## **Review of the Local Council Tax Reduction Scheme Support Payments**

- 26 In response to the pandemic a number of measures were introduced by the Government, aimed at supporting businesses and individuals affected by Covid-19. These ranged from making existing welfare benefits temporarily more generous to offering substantial support for businesses to pay wages.
- 27 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.
- 28 Councils were able to spend this funding in any way which supported vulnerable people. However, the Government stated that it was their ‘strong expectation’ that 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.
- 29 Most English local authorities cap their LCTR 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.
- 30 For most authorities, with less generous LCTR schemes, awarding the £150 recommended by the Government 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.
- 31 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 further reduction of up to £300.
- 32 Benchmarking with other North East local authorities showed that Durham was the only authority in the region to offer residents support in excess of the £150 recommended by the Government in 2020/21.
- 33 Guidance from the DLUHC 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.’
- 34 There was no absolute requirement to spend all or even most of this 2020/21 Covid-19 hardship funding on help with council tax. The grant could, 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 could also use the funding to help cover the increased cost of their CTR scheme due to Covid-19.

- 35 Awards of up to £300 to top up LCTRS in relation to 2020/21 have been made to 17,900 households, with this additional support totalling £4.17m.
- 36 In February 2021, DLUHC published a policy paper providing detail on a second grant to support council tax payers in 2021/22. Out of a total fund of £670m, Durham received £7,043,299. This was not simply an extension of the funding given in 2020/21. The new funding was intended, more narrowly, to be used for support with council tax. The policy paper explains that the ‘funding is unringfenced but is provided towards expenditure incurred, or to be incurred, in respect of the provision of local council tax support in 2021/22’.
- 37 At a recent Institute of Revenues Rates and Valuations forum, it was reported that most local authorities are using this funding to cover the increased cost of their main LCTRS as a result of the pandemic.
- 38 It was agreed in February 2021 that the council would use this 2021/22 funding to extend the enhanced scheme of support for working age LCTRS claimants, offering up to £300 of hardship support during the 2021/22 financial year.
- 39 The council’s benefit system automatically calculates and awards these additional payments, based on the outstanding council tax liability after LCTRS entitlement has been determined, for the period beginning on the start date of LCTRS entitlement in the council tax year up to 31 March. As new LCTRS claims are assessed, new hardship payments of up to £300 are automatically added. As LCTRS claims are recalculated due to changes in residents’ circumstances, the additional hardship payments are automatically adjusted as required.
- 40 The continued impact of Covid-19 on the local economy, the withdrawal of the furlough scheme and the ongoing impact of the local restrictions has brought additional pressure on employers. We are expecting higher volumes of claims for LCTRS to continue and for the working age caseload to remain high into 2022/23 and potentially beyond.
- 41 Modelling has been undertaken to estimate the potential expenditure in relation to these funds, so that consideration can be given to the current policy, and to adapting it to continue to provide additional support for low income households as they continue to face financial pressures.
- 42 It is important to consider what support may be currently needed, as well as how to use the funding to mitigate financial difficulties for our council tax paying residents during the coming financial years.

- 43 It remains unclear, at this stage, as to whether DLUHC will offer a similar hardship grant in 2022/23 if Covid-19 continues to have a significant impact on the economy.
- 44 As the chart below shows the estimated total spend for 2021/22 is currently estimated to be £3.9m:



## LCTRS Support Payments for 2022/23 and 2023/24

- 45 There are a number of factors which continue to impact household income; particularly for those more vulnerable, low income, households. These factors include the ongoing impact of the Covid 19 pandemic; the withdrawal of the £20 per week Universal Credit uplift; increasing energy costs; the cessation of mortgage holidays; the resumption of formal recovery action in relation to household bills and rent and the re-consideration of benefit claims by the Department of Work and Pensions. Consideration therefore needs to be given to providing ongoing support in relation to Council Tax liability for those more vulnerable households as we move into 2022/23 and 2023/24.
- 46 Given the potential for using the unspent funding to extend the current payments scheme, the continuing uncertainty surrounding the economy and increased pressure on household incomes; it is proposed that the additional support payments continue to be awarded to the county's more vulnerable households as follows:

- Extending additional support awards for working age LCTRS recipients into 2022/23, by making awards of up to £150 - estimated cost of £2.3m; and
- Further extending additional support awards for working age LCTRS recipients into 2023/24, of up to £75 – at an estimated cost of £1.2m.

47 This will mean the Hardship Funding and Local Council Tax Support Grant being administered as follows:

<b>Year</b>	<b>Government Funding</b>	<b>Welfare Assistance Allocation</b>	<b>Area Action Partnership Allocation</b>	<b>Estimated LCTRS Support Awards expenditure</b>	<b>Totals</b>
2020/21	£6,964,443	£1,000,000		£4,166,224	
2021/22	£7,043,299		£1,400,000	£3,900,000	
2022/23	-			£2,300,000	
2023/24	-			£1,200,000	
Income	£14,007,742				£14,007,742
Committed expenditure		£1,000,000	£1,400,000	£11,566,224	£13,966,224
<b>Estimated balance</b>					<b>£41,518</b>

- 48 Should the proposed extension of this further support as outlined in this report be agreed, the commitments are expected to spend the Government funding in full. The final figures will change, however, as they are dependent on the number of LCTRS working age claimants and the level of support provided. Given the economic uncertainty, there could be an increase in the number of LCTRS claimants over the next two years.
- 49 By putting in place a scheme for the next two financial years, this will enable the support to be in place whilst our residents and local economy recovers from the financial challenges arising from the restrictions put into place to control the pandemic.
- 50 The Council would be ensuring that the grant allocation is fully allocated to the purposes for which it was intended and would allow support to taper off for financially vulnerable households, many of whom who have received up to an additional £300 of support during each of the last two financial years.

## **Conclusion**

- 51 The council has now received two separate grant allocations totalling just over £14m from DLUHC primarily intended to support economically vulnerable residents affected by Covid-19 with their council tax payments. In 2020/21 the majority of this funding, approximately £4.2m, was used to give working age LCTRS recipients an additional reduction in their council tax bill of up to £300.
- 52 A further £1m was used to supplement the council's Welfare Assistance Scheme and £1.4m was allocated to the Area Action Partnerships for poverty related projects. Following the receipt of a second grant, the additional reduction of LCTRS claimants' council tax bills by up to £300 was extended into 2021/22 at an estimated cost of £3.9m.
- 53 This report recommends that the remainder of the two funding regimes are retained and carried over to 2022/23 and 2023/24 and that the council continues to make LCTRS hardship top up payments to LCTRS claimants at a rate of up to £150 in 2022/23 and up to £75 in 2023/24. In doing so the Council would be ensuring that the grant allocation is 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 during the last two years.
- 54 If approved, this additional support will enable the county's more vulnerable households to continue to receive support as their income continues to be affected by the restrictions put into place to control the virus and the ongoing pressures on their finances as we move towards recovery and other support measures put in place during the pandemic are withdrawn.
- 55 The extension of the support also allows it to be tapered to enable households to adjust to the reinstatement of their usual Council Tax liability from April 2024. It will be important therefore that we clearly communicate this to households in receipt of the additional awards so that residents understand the support being offered and that this will remain in place until there is a return to the normal arrangements for the collection of Council Tax liability in 2024/25.

## **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
  - Council Tax Reduction Schemes (GB) – House of Commons Library Briefing Paper Number 6672. 24 August 2020.
  - 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
  - Ministry of Housing, Communities and Local Government – COVID-19 funding for local government in 2021 to 2022 policy paper. February 2021

## **Other useful documents**

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## **Appendix 1: Implications**

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### **Legal Implications**

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**

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.

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.

In January 2021, as part of the budget, the Government announced further a further local council tax support scheme grant for 2021/22. Of £6.7m allocated nationally Durham received £7,043,299. As a result, it was agreed to extend the enhanced scheme of support for working age LCTRS claimants, offering up to £300 of additional support during the 2021/22 financial year.

Expenditure for 2020/21 stands at £4.17m and estimated expenditure for 2021/22 is £3.9m. The proposals for extending the scheme to 2022/23 with payments up to £150 and an associated cost of £2.3m and into 2023/24 with payments up to £75 and an associated cost of £1.2m need to be considered alongside the previously agreed commitments of £1m to the Welfare Assistance Scheme and £1.4m to support AAP projects in relation to poverty and welfare. This is expected to see the government funding used in full.

It is anticipated that the continued impact of Covid-19 on the local economy, with the withdrawal of the furlough scheme will bring additional pressure on

employers. We are expecting high volumes of claims for LCTRS to continue and for the working age caseload to remain high into 2022/23 and 2023/24.

## **Consultation**

The Portfolio Holders for Finance and Equality and Inclusion have been consulted on these proposals.

## **Equality and Diversity / Public Sector Equality Duty**

The additional awards of help from the Hardship and Local Council Tax Support Grant Funds have had a positive impact on working age LCTRS recipients.

## **Climate Change**

None.

## **Human Rights**

None.

## **Crime and Disorder**

None.

## **Staffing**

None.

## **Accommodation**

None.

## **Risk**

The amount of support provided through the Council Tax: Covid-19 Hardship Fund/Local Council Tax Support Grant awards will continue to be carefully monitored.

## **Procurement**

None.