

COUNCIL
27TH AUGUST 2020

Report of the Director of Resources

COVID-19 COUNCIL TAX HARDSHIP FUND 2020/21 & REVIEW OF POLICY ON DISCRETIONARY COUNCIL TAX DISCOUNTS

PURPOSE OF REPORT

This report seeks Members' approval on how additional funds payable by the MHCLG in the form of a Council Tax Hardship Fund are spent in the Derbyshire Dales to provide relief for local residents impacted adversely by COVID-19. It also seeks approval for an updated policy for discretionary council tax discounts to provide for these hardship payments and address other changes.

RECOMMENDATION

1. That approval be given to increase the award of Hardship Assistance to £200 (or the balance of the council tax bill if less than £200) where a household has been or is in receipt of Council Tax Support during 2020/21.
2. That the changes to the Council's policy for Council Tax Discretionary Reliefs under Section 13A (1) (C) of the Local Government Finance Act 1992 as set out in this report are approved;
3. That delegated authority be given under the Local Government Finance Act 1992 – Section 13A (1) (C), allowing the Director of Resources and the Benefits Manager to make ad hoc awards from the balance of the Council Tax Hardship Fund, supplementing the £200 initial award, for deserving households identified as having severe financial vulnerability.

WARDS AFFECTED

None

STRATEGIC LINK

These proposals seek to reduce the impact of hardship, poverty and deprivation on council tax payers. Increased financial resilience will enhance personal resilience and reduce demand for future services.

The Covid-19 Council Tax Hardship Fund payment will assist low income households to pay their remaining Council Tax liability for 2020/21. It will also ensure that collection rates are not impacted as adversely by COVID-19 changes to working people's employment patterns.

1 BACKGROUND

- 1.1 Nationally, the Ministry of Housing, Communities and Local Government has given £500m support to billing authorities to deliver relief to council tax payers impacted adversely by COVID.
- 1.2 The sum allocated to Derbyshire Dales is £338,264, which is separate from the £18,000 Discretionary Fund permitted by Members within the 2020/21 Local Council Tax Support Scheme. In effect, total funds available for the purpose of supporting low income households during 2020/21 is £356,264.
- 1.3 This report seeks Members' approval on how the funds are to be spent. Note, that the Government's strong expectation is that billing authorities will provide all recipients of working age local council tax support ('LCTS') during the financial year 2020-21 with a further reduction in their annual council tax bill of at least £150.
- 1.4 It should be noted that the recommendation to award up to £150 to low income households, already in receipt of Council Tax Support was approved on 9 April as an urgent decision taken during the current emergency situation, and reported retrospectively to Council on 12 May. The reason why the awards have yet to be made has been due to issues with the Council's software supplier (Capita) developing and then issuing the software upgrades to its customers.

2 REPORT

- 2.1 The Council's Benefits Team administers the approved 2020/21 Local Council Tax Support Scheme. Entitlement is income related with each household making an application using a prescribed form. The Local Council Tax Support award is credited to the claimant's council tax account, resulting in a revised bill being issued with reprofiled payments.
- 2.2. Working age claimant households can receive a maximum of 91.5% of their liability rebated under CTS. This means all Working Age households will be liable to make a payment of a minimum of 8.5% of their council tax bill.
- 2.3 The MHCLG hardship fund awards each LCTS household a further reduction in their annual council tax bill **of at least £150**. Where a taxpayer's liability for 2020/21 is, following the application of Council Tax Support, less than £150, their liability would be reduced to nil by a Hardship Fund payment. Where a taxpayer's liability for 2020/21 is nil, no reduction to the council tax bill will be available.
- 2.4 Where the payment of the Hardship Fund award results in the individual council tax account registering a credit balance, then the Billing Team will refund the credit balance to that liable person. This is likely to arise where the customer has made a payment prior to the award being made.
- 2.5 There should be no need for any recipient of LCTS to make a separate claim for a Hardship reduction under this scheme. The Benefits Section will automatically assess who is eligible for support from the Hardship Fund and automatically rebill those council taxpayers. Whether or not a taxpayer has been affected by COVID-19, directly or indirectly, should not be taken into account in assessing eligibility for this reduction.

- 2.6 Where there is more than one LCTS claim at a property at the same time, the amount of £150 per property will be awarded based on the % entitlement of the Council Tax Reduction award for each claim. When entitlement is re-assessed the amount of Council Tax hardship payment will also be re-assessed to ensure that it is at the level detailed in this scheme
- 2.7 The cost of awarding Hardship Payments, as MHCLG propose, has been calculated using Capita's updated specialist software, issued for this purpose. A projection of increasing numbers of claims has also been factored into this assessment. The following scenarios speculate on the likely cost of Hardship awards using five potential baseline award amounts.

Working Age CTS Caseload during lockdown:

Table 1: Case load count

Working Age Caseload		
01/03/20	1,704	
01/04/20	1,748	
01/05/20	1,811	
01/06/20	1,820	
01/07/20	1,830	
01/08/20	1,824	76 cases more since 1/4/20

Officer comments:

Working Age CTS caseload has increased by 76 cases since 1st April 2020 (a period of approximately 17 weeks). It is very difficult to estimate the increase in caseload over the remainder of 2020/21 but projecting the rate of growth experienced so far indicates that there are potentially a further 156 cases. This has been built into the modelling below.

Modelling different award levels:

Table 2: The 'likely cost' to the Hardship Fund using five different levels of award:

A Level of award	B Likely cost based on 1,858 cases*	C Likely cost based on 2,014 cases**	D Balance left from government grant of £338,264 for additional cases and section 13A reliefs
£150	£216,162	£239,562	£98,702
£180	£234,100	£262,180	£76,084
£200	£245,540	£276,740	£61,524
£230	£262,024	£297,904	£40,360
£250	£272,600	£311,600	£26,664

*Number of cases from 1st April 2020 to the time of writing this report

** Forecast caseload for 2020/21 (1858+156)

Retaining a balance to be used after the initial award

- 2.8 Caseload growth is difficult to predict; in order to avoid an over-spend (for example if caseload increases more than is reflected in the forecasts above), and to provide some funding to assist those council tax payers who have been adversely affected by Covid-19 but are not eligible for CTS, it is recommended that the baseline amount awarded to each CTS household does not fully utilise all the grant funding of £338,264, and that some funding is retained for ad hoc awards or for new cases above the forecast.

An analysis has been completed based on properties that might fall require an ad hoc award, assuming a 3 month period of Section 13A relief would be required. This suggests that around £60,000 may need to be retained from the Hardship Fund to finance these awards of Section 13A reliefs and cover a potential increase in caseload. The ad hoc reliefs will be allocated consistently with the Council's general Section 13A scheme, but in circumstances where Covid-19 is involved.

It is, therefore, recommended that Hardship awards be capped at £200 per household, leaving around £61,500 to fund these ad hoc section 13A reliefs.

- 2.9 The Council has already given approval (on 9 April) to pay Hardship awards from the MHCLG fund up to a maximum of £150 per household. Now that the software has been installed and the modelling has been undertaken, it is recommended that the baseline award of Hardship assistance should be increased to £200 per household in 2020/21 (or the balance of a household's bill if less). Caseload growth is difficult to predict and so there is a certain level of risk as the Council would not want to overspend then have to add funds locally to support this committed expenditure.

3 REVISIONS TO POLICY FOR COUNCIL TAX DISCRETIONARY RELIEFS (LOCAL DISCOUNTS)

- 3.1 The Council's policy has been reviewed and updated to reflect the following:
- The inclusion of a statement that "Normally the council will **not** grant local discounts unless there are very exceptional circumstances" – for clarity;
 - Changes to reflect the award of discounts where the cost is reduced by a government grant or other external funding (e.g. national disasters and the Council Tax Hardship Fund set out in this report);
 - Good practice learned from other local authorities;
 - The introduction of a local discount equal to the empty homes premium that may be awarded where there is evidence that all reasonable steps have been taken to dispose of an **age-designated property** for at least two years, the relief not to commence before the two years have expired (in response to a review of the empty homes premium; on which a full report will be presented to Council in due course);
 - Changes to improve the application process;
 - Changes to bring the appeals process in line with that set out by the Valuation Tribunal.
- 3.2 A copy of the revised policy is shown as Appendix 1 to this report.

4 RISK ASSESSMENT

4.1 Legal

Section 13A of the Local Government Finance Act 1992 (as amended by Section 10 of the Local Government Act 2012) allows the Council (in its capacity as billing authority) to reduce the amount of Council Tax payable to such extent as it thinks fit. This includes the power to reduce the council tax to nil.

The Council has adopted a clear policy on when the discretion will be applied and therefore the legal risk is therefore low.

4.2 Financial

The awards of reliefs meeting the criteria for the Council Tax Hardship Fund in 2020/21 will be carefully managed so that they do not exceed the government of £338,264.

The other changes to the Section 13A policy reflect the need to have an effective policy in place to address requests for support from economically vulnerable or for classes of individuals.

There is a financial implication to awarding reliefs under Section 13A (1) (c) as the Council has to finance all such reliefs from its own funds (unless, to reduce the costs to the Council, there is a specific government grant in place, such as for national disasters). As these are defined as local council tax discounts, the cost is not shared with other preceptors and falls entirely to Derbyshire Dales District Council (as the billing authority). For this reason, the policy is that the Council will **not** normally grant local discounts except in very exceptional circumstances. It should be noted that, in several cases involving other councils, the Valuation Tribunal (who will hear the case if a council tax payer appeals against a council decision not to award a relief of this type) has said that the award of section 13A(1)(c) discretionary discounts not to be a cash limited exercise, but must look at the circumstances of the particular tax payer.

The financial risk arising from this report is medium.

5 OTHER CONSIDERATIONS

In preparing this report, the relevance of the following factors has also been considered: prevention of crime and disorder, equalities, environmental, climate change, health, human rights, personnel and property.

6 CONTACT INFORMATION

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7 BACKGROUND PAPERS

Date	Description
March 2020	MHCLG Council Tax: COVID-19 Hardship Fund 2020/21 Local Authority Guidance https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/874867/COVID-19_Council_Tax_Hardship_Fund_Guidance.pdf

8 ATTACHMENTS

Appendix 1 – Updated policy for discretionary council tax discounts (Section 13A 1C)

APPENDIX 1 TO FOLLOW