

<b>BRIEFING</b>	<b>TO:</b>	Leader of the Council Chief Executive
	<b>DATE:</b>	17 <sup>th</sup> February, 2021
	<b>LEAD OFFICER:</b>	Rob Cutts Service and Development manager, Revenues, Benefits and Payments
	<b>TITLE:</b>	Update and review of the application of the Council's Hardship Fund

## 1. Background

- 1.1** The Government announced the £500m Hardship Fund within the Chancellor's Budget on 11<sup>th</sup> March 2020, with guidance and detailed allocations issued later in March. The Council's allocation was confirmed as £2.864m.
- 1.2** The funding was being provided to enable councils to support economically vulnerable people and households in their local area. The Guidance set out the Government's expectation, that the majority of the fund would be used to provide council tax relief, alongside existing local council tax support schemes.
- 1.3** The Council's use of the fund was taken as a delegated officer decision by the Strategic Director – Finance and Customer Services in consultation with the Cabinet Member for Corporate Services and the Leader of the Council. The decision taken on 2<sup>nd</sup> April 2020 was:
1. That the Council Tax Support (Hardship) Grant of £2.864m will be utilised as follows:
    - That an additional award of £200 Council Tax Support will be made to those people of working age who are currently in receipt of Local Council Tax Support
    - That where a claimant has a Council Tax bill of less than £200, their bill will be reduced to zero
    - That the remaining funding will be utilised to fund the cost of new claimants becoming eligible for Local Council Tax Support including the application of the additional £200 support
    - That the above support will apply to all those becoming eligible up to and including 31<sup>st</sup> May 2020
  2. That new bills will be issued to those eligible for this additional support.
  3. That the volume of new claimants and associated cost will be reviewed against the level of hardship grant remaining before September 2020.
- 1.4** On 29<sup>th</sup> May following clarification of the guidance from Government, a further delegated officer decision was taken by the Strategic Director – Finance and Customer Services in consultation with the Cabinet Member for Corporate Services and the Leader of the Council. This decision allowed the arrangements for the use of the Council's Hardship

	Fund to continue for the remainder of the financial year 2020/21, on the basis as set out in the delegated decision on 2nd April 2020.
<b>1.5</b>	On 4 <sup>th</sup> December 2020, the Strategic Director – Finance and Customer Services took a 3 <sup>rd</sup> delegated decision to continue to provide £200 support to new claimants and to provide a further top-up in February 2021 to maximise the use of the grant allocation.
<b>1.6</b>	This paper provides options of determining what the value of that top-up payment should be.

## 2. Key Issues

- 2.1** To date the fund has been applied to 17,168 working age recipients of council tax support using approximately £1.9m of the £2.8m hardship fund. This leaves £0.9m within the hardship fund for additional new claimants and to provide top-up payments.
- 2.2** It is difficult to precisely forecast the level of claimants coming forward for LCTS for the rest of the year and this highlights the need for a flexible solution to the use of the remaining fund.
- 2.3** It should be noted that some claimants who previously received a hardship award of less than £200 may receive a further award taking the total award up to the maximum £200 if their Council Tax liability increases, such as if their claim ends when their income increases.
- Example
- A claimant applies for LCTS due to Covid-19 and receives the maximum 91.5% entitlement for the full year off their original £1,000 bill. Their charge would be 8.5% of £1,000 = £85.00. This would be cleared by the hardship award of £85.00 leaving them with nothing to pay.
- If they returned to work after 6 months and their CTS claim was cancelled their charge would be 8.5% of £500 (first 6 months charge) = £42.50 plus £500 (second 6 months charge) totalling £542.50. They are now entitled to the full £200 hardship award which would reduce their balance to pay to £342.50.
- 2.4** Governments guidance sets out how the fund can be used outside of LCTS.
- “In determining any broader approach to delivering support, authorities are best placed to reflect on the financial needs of their most vulnerable residents. In doing so, they may wish to consider using their remaining grant allocation as part of wider local support mechanisms. These may include, but are not restricted to:
- a) Council tax relief using existing discretionary discount/hardship policies (adapted where necessary in order to capture those most likely to be affected by COVID-19); and
  - b) Additional support outside the council tax system through Local Welfare or similar schemes;
  - c) A higher level of council tax reduction for those working age LCTS recipients whose annual liability exceeds £150.”

2.5	MCHLG have stated they will not be looking at reclaiming any under spend but would expect any such sums to be extremely limited given the overarching policy rationale to provide support during 2020-21.
2.6	The Council therefore, needs to consider options for how it determines the value of the top-up payment in order to maximise utilisation of the remaining balance of the hardship fund.
2.7	The top-up payment allows the Council to apply additional support to those LCTS claimants in an efficient and effective way, whilst keeping strictly within governments guidance for the scheme. The original award of up to a maximum of £200 has been paid to many LCTS claimants who were already unemployed and in receipt of benefits, however, arguably their financial position hasn't significantly worsened as a result of Covid-19. Many of those in receipt of the existing LCTS will have no Council Tax left to pay for 2020/21 and therefore, this proposal has the benefit that the additional support is more likely to be provided to those new LCTS claimants who have found themselves in difficulty as a direct result of Covid-19 (i.e job losses or restricted work if self-employed). Appendix A provides scenarios of how further top ups to the LCTS support would apply to people who were unemployed and employed prior to or as a result of Covid 19.
2.8	As the top-up payment is a variation of the existing scheme it can be implemented quite quickly. The modelling attached at Appendix B indicates what the potential impact might be of topping up the original £200 by various additional amounts up to a total payment of £500. The proposal could be implemented prior to annual council tax billing as this will allow us to mitigate the risk of any significant under or over spend and allow the grant to be fully utilised in year.
2.9	<p>Therefore, based on the figures as at 9/2/2021 the following options are proposed</p> <p><b><u>Option 1</u></b> - Increase the maximum hardship award to £400, an additional £200. Based on the analysis in appendix B this could result in an underspend of £227k</p> <p><b><u>Option 2</u></b> - Increase the maximum hardship award to £450, an additional £250. Based on the analysis in appendix B this could result in an underspend of £89k</p> <p><b><u>Option 3</u></b> - Increase the maximum hardship award to £500, an additional £300. Based on the analysis in appendix B this could result in an overspend of £39k</p>
2.10	As the scheme remains open the spend will increase between now and its closure thus presenting a risk that the scheme will be over or underspent dependant on the level of increase in the maximum hardship award. The trend since 6/12/2020 has shown an average weekly increase in hardship awards of £12k. Based on this figure it is anticipated that a further £84k will be spent before the end of the financial year, however this is based on a maximum award of £200. An increase in the maximum award is likely to result in the average weekly spend increasing over £12k for the remainder of the year.
2.11	MCHLG have provided guidance to software providers in respect of any retrospective changes in 2021/22 (after 01/04/21) relating to 2020/21 liability. They have confirmed that the scheme can be closed at a date chosen by councils. After closure, no further hardship payment would be awarded even where CTS is retrospectively awarded for the financial year 2020/21, although awards could be made through section 13a powers in exceptional circumstances. It is considered that closing the scheme on 30/4/2021 would allow time for the assessment of any claims for CTS made before 31/3/2021 while

	preventing the increase in any overspend ongoing. This date can be extended nearer the time if it is considered desirable to do that having regard to the level of claims outstanding.
<b>3. Key Actions and Timelines</b>	
<b>3.1</b>	<p>Agreement to be reached as to how the remaining balance of the hardship fund is utilised against the 3 options below;</p> <ol style="list-style-type: none"> <li>1. Increase the maximum hardship award to £400, an additional £200</li> <li>2. Increase the maximum hardship award to £450, an additional £250</li> <li>3. Increase the maximum hardship award to £500, an additional £300</li> </ol>
<b>3.2</b>	Agree if the scheme is to be closed and if so on which provisional date.
<b>3.3</b>	Awarding of the additional relief onto the system and the issuing of revised Council Tax bills to those affected. This would be done on the weekend of 27/2/21 to ensure awards are in place before annual billing on the following weekend. Additional communication could be included with these bills to explain why an additional award has been made
<b>4. Recommendations</b>	
<b>4.1</b>	<p>Note the current position of the hardship scheme and the need for a decision as to;</p> <ul style="list-style-type: none"> <li>• how the fund is utilised ongoing, and</li> <li>• whether to close the scheme and if so from what provisional date.</li> <li>• whether to include additional comms with the revised bills</li> </ul>
<b>4.2</b>	Option 2 is recommended as estimates indicate that it is likely to ensure that all the funding is used while ensuring that any overspend is minimised.
<b>4.3</b>	It is recommended that the scheme be closed from 30/4/21 to allow time to assess claims received before 31/3/21 and to ensure overspend does not continue to increase after this date. This date will be reviewed nearer the time.
<b>4.4</b>	It is recommended that additional comms is included with the revised bills to explain the additional award and thus minimise customer contact.