



## COUNCIL TAX HARDSHIP FUND

### 1 INTRODUCTION

- 1.1** In 2020/21 the Government has allocated £500m to authorities to administer a Council Tax Hardship Fund. ESC's allocation of this is £1.917m, and this was received on 3<sup>rd</sup> April 2020. This funding is being used to reduce the council tax liability of working age Local Council Tax Reduction Scheme (LCTRS) claimants. The Hardship Fund covers the amount of the council tax that LCTRS claimants are required to pay, typically 8.5% under the Council's scheme, up to a maximum of £150. Although linked to LCTRS, these reductions to council tax do not form part of the LCTRS and the cost of this scheme will be transferred from the Collection Fund to General Fund at the end of the financial year. These reliefs are being granted by the Council using its discretionary powers under Section 13a (1) (c) of the Local Government Finance Act 1992.
- 1.2** In the Guidance issued when the Government introduced these measures, it was recognised that authorities could have surplus funds from their allocations enabling them to provide additional discretionary support. However, the allocations for 2020/21 were also intended to cover the whole financial year, and no new allocations to authorities would be made. Consequently, authorities have had to closely monitor caseloads during the year as the impact of the Covid-19 pandemic on LCTRS caseloads emerge. This monitoring and forecasting has effectively determined when either proposals for additional discretionary support can be brought forward, or, on the other hand, whether support could be maintained at the same level for the remainder of the year.
- 1.3** The Ministry of Housing, Communities, and Local Government (MHCLG) has now confirmed the following:
- Local authorities will spend in 2021/22 for claims received to 31/3/21 (2021/22 QRC quarterly returns will capture expenditure)
  - Local authorities can carry forward any balance into 2021/22 as a Section 13a (1)(c) exceptional hardship pot providing that it delivers the policy aims of helping those economically impacted by Covid-19 i.e., working age LCTRS claimants. Local authorities will not have to repay any underspends in 2020/21
  - Local authorities can make a second distribution now either as a credit for this year or as a credit for 2021/22 bills, again providing that it delivers the above policy aims.

This clarification, combined with the modelling and forecasting referred to below in section 2, means that a proposal can now be brought forward to provide additional support to working age LCTRS claimants, by way of using any surplus funding in 2021/22 to provide a degree of relief by applying Section 13 (a) discretionary reliefs to customers' 2021/22 council tax bills.

## **2 COUNCIL TAX HARDSHIP FUND – 2020/21 POSITION**

- 2.1** As at 31 December 2020, ESC had applied £1.413m of its £1.917m allocation in reliefs to working age LCTRS claimants, providing support to over 10,000 customers. Under the scheme, reliefs have to be provided to all new LCTRS claimants for the remaining months of 2020/21. Combined with the cost of reliefs to date, Anglia Revenues Partnership (ARP) have forecasted that the residual surplus of funding available as at 31 March 2021 could be in a range between £305k and £381k. For the purpose of this proposal, £325k has been assumed to be a prudent figure to be available for distribution.
- 2.2** Any remaining allocation after this proposed second distribution could be carried into 2021/22 as a Section13a (1)(c) exceptional hardship pot as referred to above, enabling further relief measures to be considered, such as allocating reliefs to new LCTRS claimants.

## **3 PROPOSED COUNCIL TAX HARDSHIP FUND RELIEFS 2021/22**

- 3.1** In conjunction with ARP, options have been considered for allocating this surplus to LCTRS working age claimants. It has been concluded that the most efficient and effective option for this is to apply these reliefs as part of the annual billing process for 2021/22 as outlined below:
- Identify all working age LCTRS claimants as at 1 March 2021 prior to the council tax billing run.
  - Assuming £325,000 available for reliefs, and c.10,000 working age LCTRS claimants, apply flat rate “Covid-19 Hardship Relief” to every eligible account. It is proposed that this be £30, as this funding will need to cover new LCTRS claimants as referred to in 3.3 below.
  - Issue 2021/22 council tax bills as normal.
- 3.2** The option of applying a relief pro rata to council tax band has been considered as an alternative to a flat rate relief. However, this would add a layer of system complexity to implementing this proposal which could well prevent it from being implemented as part of the annual billing process. In addition, the difference in relief values from reflecting council tax bands is minimal and the vast majority of LCTRS claimants are in council tax bands A and B in any event.
- 3.3** New LCTRS claimants between the date of 2021/22 billing and 31 March 2021 will receive a Council Tax Hardship Fund relief in respect of their 2020/21 council tax liability in the normal way. They will then subsequently receive the £30 Covid-19 Hardship Relief in respect of their 2021/22 bill. The awarding of reliefs to these customers will entail a small degree of costs and more administration than for existing claimants who will receive this relief through the annual billing process. There is no provision in this proposal for customers eligible for LCTRS after 31 March 2021 to be eligible for this relief, but it is to be hoped that the Section13a (1)(c) exceptional hardship pot referred to in paragraph may enable some support to be provided.