

<b>Report to:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>10 December 2020</b>
<b>Title:</b>	<b>Support for local people in financial distress</b>
<b>Report of:</b>	<b>Tim Whelan, Director of Service Delivery</b>
<b>Cabinet member:</b>	<b>Councillor Zoe Nicholson (Cabinet Member Portfolio Holder for Finance and Assets)</b>
<b>Ward(s):</b>	<b>All</b>
<b>Purpose of report:</b>	<b>To advise members of the options available to increase financial support to people in financial distress and deliver an increase in the Council tax reduction scheme.</b>
<b>Decision type:</b>	<b>Key</b>
<b>Officer recommendation(s):</b>	<b>(1) That Cabinet adopt option c as set out below. (2) That Cabinet agrees to continue to support the Minimum Income Floor pilot for the self employed</b>
<b>Reasons for recommendations:</b>	<b>The recommended option provides significant support from funds currently available to the Council.</b>
<b>Contact Officer(s):</b>	<b>Name: Bill McCafferty Post title: Functional Lead for Thriving Communities E-mail: bill.mccafferty@lewes-eastbourne.gov.uk Telephone number: (01323) 415171</b>

## **1 Introduction**

- 1.1 At its meeting on 12 November 2020, the Cabinet considered a report on the Recovery and Reset Programme and, having considered recommendations from the Policy and Performance Advisory Committee, resolved (among several other resolutions made) to explore supporting local people in financial distress with a focus on schemes such as council tax relief.

The Council has three schemes in place to help residents meet their council tax liabilities. They are:

1. The Local Council Tax Reduction Scheme (LCTR) for working age.
2. Council Tax Exceptional Hardship Payments (EHP).
3. The Council Tax Hardship Fund.
4. The pilot for removal of the minimum income floor for the self employed.

## **2 The Local Council Tax Reduction Scheme (LCTR) for working-age**

- 2.1 The LCTR has been in place since April 2013. The scheme for 2020/21 awards a council tax reduction up to maximum of 80% of a person's council tax liability and is means-tested.

There is a separate scheme for pensioners which is set by government and awards up to 100% of council tax liability

- 2.2 The Council can revise their LCTR scheme for the following year through adoption by full Council.

Before revising a scheme the Council must, as required by the Local Government Finance Act 1992, in the following order:

- Consult any major precepting authority which has power to issue a precept to it,
- Publish a draft scheme in such manner as it thinks fit, and
- Consult such other persons as it considers are likely to have an interest in the operation of the scheme.

- 2.3 The current cost of the scheme is c£7m and is met by the Council and preceptors in proportion to their share of council tax:

	% of Council Tax	cost
East Sussex County Council	70.68%	£4,947,414
Lewes District Council	9.93%	£694,784
Town and Parish Council	5.40%	£378,147
Police	9.47%	£662,885
East Sussex Fire and Rescue	4.53%	£316,770

## **3 The Council Tax Exceptional Hardship Scheme (EHP)**

- 3.1 The EHP scheme was introduced in April 2016 when the Council adopted the current LCTR scheme. The scheme was funded by the Council and preceptors to the sum of c£39,000. It is intended to provide additional financial support to working-age recipients of LCTR or the self-employed who don't qualify due to the application of the minimum-income floor and are facing exceptional hardship

In addition, the removal of the Class C discount has contributed a further c£20,000 to the scheme.

There is currently £41,000 remaining in the scheme.

## **4 Council Tax Hardship Fund**

- 4.1 The government introduced the Council Tax Hardship Fund as part of its response to the Covid-19 pandemic. The Council received £816,500 as its share.

The instructions from the Government were for awards to be made to working-age recipients of LCTR in 2020/21 up to £150.00 or the amount required reducing their liability down to zero.

The Council have, as at 30 October 2020, made 3,742 awards totalling £550,538, leaving £265,962.

As well as continuing to make awards to new LCTR claimants, the Account Management Team are currently using this fund to help those most financially challenged pay their council tax.

Based on current spend there is likely to be c£210,000 remaining in the fund at 31 March 2021.

- 4.2 Any unspent funds can be used as local welfare provision and can be carried forward to 2021/22.

## **5 Proposal**

- 5.1 That Cabinet adopt the preferred options set out below to provide additional financial support to working-age recipients of CTR.

- 5.2
- a) Retain the current schemes as they are.
  - b) Use some, or all, of the remaining funds in the EHP scheme to make a one-off payment to certain groups e.g. working-age LCTR recipients.
  - c) Use the remaining funds such as the Council Tax Hardship scheme to make one-off payments to working-age LCTR recipients to achieve an award maximum of 90% of a person's council tax liability.
  - d) Use the remaining funds in the EHP scheme and the Council tax Hardship Fund to make a one-off payment to certain groups.
  - e) Continue the awards for self-employed customers impacted by the Minimum Income Floor.

## **6 Outcome expected and performance management**

- 6.1 That those people in financial distress receive additional financial support to meet their council tax liabilities and receive further Council tax relief.
- 6.2 Regular monitoring of the financial support awardee will be undertaken.

## **7 Business case and alternative option(s) considered**

7.1 No other options considered.

## **8 Financial appraisal**

8.1 Option a) would be the simplest to achieve with no additional administration costs although it would not achieve an aim of increasing support to working-age recipients of a council tax reduction.

Option b) Would allow the Council to make a one-off payment of c£10.00 to each claimant. This is based on an anticipated caseload of 3,400 at 1 April 2021 plus a further 1,000 claims being received in 2021/22.

Option c) would allow the Council to make awards to each working-age claimant. This option would increase support to working age claimant equivalent to a c90% reduction of their council tax liability

Option d) would increase support to whichever groups are chosen. The current EHP policy would need to be revised and adopted by Cabinet. This would allow the Council to make a one-off payment of c£47.00 to each claimant.

Option e) Additional awards for self-employed customers impacted by the Minimum Income Floor are already made from the EHP Scheme, which can continue to support this.

Options b), c) and d) have no impact on the setting of the Council Tax base.

Options b), c) and d) would increase administration costs, require staff to make awards on a claim-by-claim basis. Officers would need to consider the timing of this work in relation to annual billing. If carried out after the annual billing exercise the taxpayer would receive two bills, the first showing the LCTR awarded and the second showing the LCTR and the additional award.

8.2 Any increase in support under the LCTR scheme will increase costs for the Council and preceptors.

	Increase compared to retaining current scheme
LDC	£50,942.41
County	£359,546.08
Police	£48,174.19
Fire	£23,020.76
Town & Parish	£27,481.29

8.2 The Council Tax base for 2021/22, is based on the current approved LCTR scheme. It should also be noted that the tax base must be calculated between

01 December and 31 January for the next financial year and preceptors informed of this calculation. Therefore, any changes to the LCTR scheme approved by Council after the 31 January would only be reflected in the 2022/23 tax base.

- 8.3 The options set out in the body of the report show what level of support can be provided within the constraints of the funding available. These have no impact on the tax base and therefore other preceptors. The costs of the scheme will be met from within existing Council resources.

## **9 Legal implications**

- 9.1 The lawful process for revising a billing authority's Council's Council Tax Reduction Scheme is set out at paragraph 2.2 above. The need to set the 2021/22 Council Tax Base between 1 December 2020 and 31 January 2021 means there is now insufficient time to bring about a revised Council Tax Reduction Scheme for 2021/22. This is because the Council Tax Base is set in accordance with (among other factors) the *currently* approved Council Tax Reduction Scheme. Even if the obligatory consultation process for a revised 2021/22 scheme were followed, the consultation outcome and adoption of a new scheme by full Council would not occur until February 2021, resulting in a scheme that would be inconsistent with the Council Tax Base already issued for 2021/22.
- 9.2 Instead, Cabinet can lawfully achieve its aim of supporting local people in financial distress by choosing one of the four options set out at paragraph 5.5 above, having considered their respective merits as set out in 5.2.

*Lawyer consulted 18.11.20*

*Legal ref: 009658-LDC-OD*

## **10 Risk management implications**

Any revision to the Council Tax Reduction Scheme which had not followed the process required by the Local Government Finance Act 1992 would be susceptible to legal challenge which, if successful, could result in the court declaring the scheme null and void. Reputational harm to the Council would also be likely. In addition, and for the reasons given at paragraph 7.1, it is now too late to begin the process needed to bring about a revised Council tax Reduction Scheme for 2021/22.

## **11 Equality analysis**

An Equality Impact Analysis will be undertaken on the option that Cabinet decides on.

## **12 Environmental sustainability implications**

- 12.1 Nothing in this report has any adverse environmental implications.

**13 Appendices**

None

**14 Background papers**

None