



# City of Westminster Cabinet Member Report

**Decision Maker:** Cabinet Member for Finance, Property and Regeneration

**Date:** 11 November 2020

**Classification:** General Release

**Title:** **Council Tax COVID-19 Hardship Fund 2020/21**

**Wards Affected:** All

**Financial Summary:** There are no financial implications for the Council as expenditure will be fully funded from the Council's allocation from the government's Council Tax Hardship Fund.

**Report of:** **Martin Hinckley**  
**Director of Revenues & Benefits**

## 1. Executive Summary

1.1 The Council has applied the government's prescribed rules for the allocation of additional Council Tax Support for specific claimants as outlined in the government's Council Tax COVID-19 Hardship Fund guidance. This report seeks approval for additional expenditure from the remaining balance of the Council's allocation from the Fund.

## 2. Recommendations

- 2.1 That the Council utilises the balance of the Council's funding allocation from the Council Tax Covid-19 Hardship Fund to support the recommended areas of expenditure as outlined in Section 5 of this report.
- 2.2 That the Executive Director of Finance and Resources is given delegated authority to flex the level of funding to be allocated against each area in order to address future changing circumstances arising from the pandemic; with the aim being to utilise all the £2.2m funding allocation by 31 March 2021.

2.3 That a further Cabinet Member report is submitted in late January / early February 2021 to address any forecast remaining balance at 31 March 2021.

### **3. Reasons for Decisions**

3.1 The recommendations in this report will ensure that the government funding provided under Council Tax COVID-19 Hardship Fund 2020/21 is allocated to the most appropriate areas to assist the financial circumstances of residents in 2020/21.

### **4. Background**

4.1 At the start of the pandemic the government set-up a national £500M Hardship fund for local authorities “to deliver relief to Council Taxpayers” and “to support economically, vulnerable people and households in their local area”.

4.2 The subsequent government guidance included the City Council’s allocation of £2,203,686. It is understood that each local authority’s funding allocation was calculated without taking account of the authority’s actual Band D Council Tax or the authority’s current Council Tax Support (CTS) scheme. As Westminster has the lowest Council Tax in the country and a local CTS scheme that has not been reduced like the majority of other council’s, our allocation is significantly above the amount needed to meet the government’s prescribed additional payments of Council Tax Support via Section 13A adjustments (see paragraph 3.4).

4.3 The government’s guidance document states that “the expectation is that the majority of the Hardship Fund will be used to provide council tax relief, alongside local Council Tax Support schemes”. It also states that “Councils may also want to use some funding to deliver financial assistance through local support mechanisms having considered local circumstances”

4 The guidance states that the “government’s strong expectation is that billing authorities will provide all recipients of working age local council tax support during the financial year 2020-21 with a further reduction in their annual council tax bill of £150, using their discretionary powers to reduce the liability of council tax payers outside of their formal LCTS scheme design. Where a taxpayer’s liability for 2020-21 is, following the application of council tax support, less than £150, then their liability would be reduced to nil. Where a taxpayer’s liability for 2020-21 is nil, no reduction to the council tax bill will be available”.

4.5 Local authorities were required to allocate the additional support by using allowances under Section 13A (1) ( C) of Local Government Finance Act 1992. Section 13A is an existing legislative provision that allows an authority to provide Council Tax relief for hardship. The Director of Revenues and Benefits has delegated authority, via the annual Council Tax Setting report, to provide allowances under this legislation.

## **5. The Council's initial use of the fund**

- 5.1 The City Council quickly implemented a process to provide the government's prescribed additional Council Tax Support as outlined in paragraph 3.4 of this report.
- 5.2 The provision of the government's prescribed assistance to date has required expenditure of £256,000
- 5.3 At the start of the pandemic, it was considered that the balance of funding should be kept in reserve in case the level of unemployment dramatically increased, which would increase the number of Council Tax Support claims and potentially require the Council to provide additional funds to support the Council's Local Payment Support scheme, i.e. if the DWP were to collapse under the increased caseload resulting from the pandemic.
- 5.4 At the current point in time, although there has been a doubling of the DWP's Universal Credit claim caseload, there has not been a major increase in the Council's working age Council Tax Support claims. In March 2020 there were 10,015 live working age claims, which has now increased to 10,550 (a 5% increase). This is believed to be due to the fact that a high percentage of the recent new Universal Credit claimants are not registered as the council taxpayer for their household, so do not claim CTS from the Council. However, it is expected that the number of CTS claimants will increase as recovery of unpaid Council Tax progresses.
- 5.5 The DWP have also performed above all expectations and despite a doubling of their caseload, they are maintaining their "payment within 5-week" performance at around 90%.
- 5.6 In view of the above, whilst prudent to retain a reserve of funding to support a potential increase in CTS claims during the remainder of the financial year, (i.e. if Council Tax recovery or the economic position creates a significant increase in unemployment / CTS claims), it is now certain that the Council's full £2.2m funding allocation will not be required to meet the government's prescribed Council Tax Support requirements as outlined at paragraph 3.4.
- 5.7 The government's guidance document does not refer to "unspent allocations", although CIPFA anticipate that the government will not seek to reclaim any unspent allocations at year end. The guidance also does not prescribe the other areas of expenditure that local authorities can use the funding to support (outside of the general wording referred to above).

## **6. Recommended Options for utilising the remaining funding allocation**

### **6.1 Setting aside funding for future increases needed in the £150 “top-up” for CTS claims during 2020/21**

6.1.1 As previously outlined, forecasting the future economic position is extremely difficult, even in the short-term. For example, what will be the final effect of the COVID-19 second wave, and how will the economic conditions effect the number of CTS claims during the remainder of 2020/21? It is therefore proposed that the Council set aside a reserve from the government’s funding allocation (of say £200,000) to fund the government’s prescribed CTS “top-up” changes during the remainder of 2020/21.

### **6.2 Setting aside funding for the cost of additional CTS claims received during 2020/21**

6.2.1 The funding of CTS claims was originally through an initial allocation of funding from central government based on 90% of the cost of the number of each local authority’s Council Tax Benefit claims that transferred to Council Tax Support. This amount has now been consumed with RSG and is no longer separately identifiable and due to the subsequent overall reductions in RSG has effectively decreased over time.

6.2.2 In the Autumn each year, local authorities must estimate the number of CTS claimants and the amount of Council Tax that will be met by CTS within their annual taxbase calculation for the following financial year. An actual increase in the volume of CTS claims within the forthcoming financial year above the taxbase estimate will result, all other things being equal, in the Council’s Collection Fund going into deficit. The cost of the deficit must be shared with the GLA based on the percentage split of Council Tax (currently WCC 57% / GLA 43%).

6.2.3 It is proposed that a sum is set aside from the Council Tax COVID-19 Hardship Fund to fund the additional cost of CTS claims charged to the Collection Fund at year end. It is considered that this use of the Hardship Fund can be justified as residents are receiving a benefit through new CTS claims and there is no additional funding available from central government to meet the cost to the Collection Fund arising from an increase in CTS claims.

6.2.4 Based on the growth in working age claimants since the start of the financial year continuing on a linear projection this would require funding of around £600,000 to meet the additional cost by year end. However, it is currently expected that the number of CTS claims could increase if the economic position worsens. It is therefore considered that increased funding of say £900,000 is retained.

### **6.3 Funding of an Enhanced Local Support Payment scheme**

6.3.1 The Council has an existing Local Support Payment (LSP) scheme to provide specific types of support for residents. Local authority LSP schemes replaced the previous DWP Social Fund arrangements.

6.3.2 The Council's scheme is application based and provides the following services to the borough's most vulnerable residents:-

- Financial support for tenants moving home. Applicants must be in receipt of welfare benefits and receiving support from a council service. LSP assists with expenses, such as the cost of new white goods and essential furniture.
- Emergency assistance for families dealing with exceptional hardship or a crisis. Applicants must be in receipt of welfare benefits, including child benefit. LSP assists with expenses such as food, fuel and replacement white goods.
- Emergency assistance for vulnerable adults to meet short-term needs. Applicants must be in receipt of welfare benefits . LSP assists with expenses such as fuel and replacement white goods

6.3.3 The Council's scheme is currently funded by an annual budget of £620,000 within the Council's Benefits services, which includes the scheme's administration costs (the scheme is a Bi-Borough service administered by RBKC on behalf of the council).

6.3.4 Recent LSP expenditure indicates that demand is increasing and therefore additional funding is likely to be required before the year end to "top-up" the existing budget (say by £250K).

6.3.5 Additionally an option exists to enhance the services provided by the LSP scheme and to utilise some of the Hardship funding allocation to achieve the enhancement. This is not recommended at the current stage as there is no obvious additional area for inclusion that is not currently being addressed by the DWP and / or by other council services.

#### **6.4 Individual Section 13A Awards**

6.4.1 Section 13A relief allows a local authority to provide a Council Tax allowance for residents experiencing hardship. The Director of Revenue & Benefits has delegated authority to apply this allowance.

6.4.2 In a normal year, the City Council would make only around 50 to 70 allowances, which is a very small figure in terms of our 129,000 Council Tax properties. However, the government's Council Tax COVID-19 Hardship Fund required local authorities to provide up to £150 extra Council Tax Support via Section 13A allowances. It is understood that Section 13A was considered by the government to be the most appropriate mechanism to make the additional allowances to residents in receipt of CTS.

- 6.4.3 The pandemic has resulted in recovery processes for Council Tax debt being currently curtailed, which has resulted in the Council's Council Tax collection being down when compared with the same point last year (57% in September 2020 compared with 62% in September 2019). This is primarily due to the fact that local authorities cannot obtain Liability Orders at local Magistrates Courts due to the Courts prioritising other matters, such as criminal cases. At present the Council can only send "Reminder notices".
- 6.4.4 It is considered that the temporary stay on recovery action has meant that a number of our Council Taxpayers have not yet been prompted to discuss how the pandemic has affected their ability to pay their Council Tax and / or apply for Council Tax Support.
- 6.4.5 An option exists for the Council to offer financial assistance through Section 13A to individual Council taxpayers to address financial issues that cannot be fully addressed through the CTS scheme. This option could be addressed at the point that Council Taxpayers are summonsed to the proposed new "virtual" courts.
- 6.4.6 The proposed new process would be able to:-
- Promote the take-up of Council Tax Support, which in turn would increase the use of Section 13A allowances for the government's prescribed "£150" allowance
  - Identify residents that could benefit from standalone Section 13A allowances due to their specific circumstances, which could be addressed by the Director of Revenues & Benefits.

## **6.6 Alternative Options**

- 6.6.1 It is proposed that expenditure is kept under review and a further Cabinet Member report is produced in late January / early February 2021 to assess how any forecast balance at 31 March 2021 can be utilised.

## **7. Financial Implications**

- 7.1 The government has provided the City Council with £2,203,686 funding from its national Council Tax COVID-19 Fund.
- 7.2 The Council has to date utilised £256,000 to provide the prescribed "£150" top-up to qualifying working-age CTS claimants.
- 7.3 It is recommended that £200,000 is retained / set aside to provide the £150 prescribed top-up to new CTS claimants during the remainder of this financial year.
- 7.4 The provision made in 6.3 of this report will still leave around £1.7M of government funding to be utilised within this financial year. It is expected,

although not confirmed, that the government will not seek to reclaim any unused funding at 31 March 2021.

- 7.5 It is proposed that the Director of Finance & Resources is given delegated authority to determine the eventual proportion of the remaining funding to be utilised in the areas shown within section 5 of this report. The delegation is required as the nature of the pandemic means that circumstances change very quickly and the funding allocations will need to be flexed accordingly.
- 7.6 It is proposed that expenditure is kept under review and a further Cabinet Member report is produced in late January / early February 2021 to assess how any forecast balance at 31 March 2021 can be utilised.

## **8. Legal Implications**

- 8.1 The legal implications are as outlined in the body of this report.

## **9. Outstanding Issues**

- 9.1 There are no outstanding issues

**If you have any queries about this report or wish to inspect any of the background papers please contact: Martin Hinckley, on 07816 215828 or via email to**

**[mhinckley@westminster.gov.uk](mailto:mhinckley@westminster.gov.uk)**

City Solicitors authorisation memorandum dated 20 July 2018 (Confidential)

For completion by the **Cabinet Member for Finance, Property and Regeneration**

**Declaration of Interest**

I have <no interest to declare / to declare an interest> in respect of this report

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

NAME: **Councillor Melvyn Caplan, Cabinet Member for Finance, Property and Regeneration**

State nature of interest if any .....

.....  
*(N.B: If you have an interest you should seek advice as to whether it is appropriate to make a decision in relation to this matter)*

For the reasons set out above, I agree the recommendation(s) in the report entitled **Council Tax COVID-19 Hardship Fund 2020/21** and reject any alternative options which are referred to but not recommended.

Signed .....

**Councillor Melvyn Caplan, Cabinet Member for Finance, Property and Regeneration**

Date .....

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

Additional comment:  
.....  
.....

If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, the Director of Law, the Executive Director of Finance and Resources, and, if there are staffing implications, the Director of People Services (or their representatives) so that (1) you can be made aware of any further relevant considerations that you should take into account before making the decision and (2) your reasons for the decision can be properly identified and recorded, as required by law.

Note to Cabinet Member: Your decision will now be published and copied to the Members of the relevant Policy & Scrutiny Committee. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication to allow the Policy and Scrutiny Committee to decide whether it wishes to call the matter in.