

Meeting date: 2 February 2021

Report to: Full Council



Subject/report title: COUNCIL TAX REDUCTION SCHEME 2021/22

Report from: Leader of the Council

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Wards affected:

All Wards | Bickenhill | Blythe | Castle Bromwich | Chelmsley Wood |
 Dorridge/Hockley Heath | Elmdon | Kingshurst/Fordbridge | Knowle |
 Lyndon | Meriden | Olton | Shirley East | Shirley South |
 Shirley West | Silhill | Smith's Wood | St Alphege

Public/private report: Public

Exempt by virtue of paragraph:

1. Purpose of Report

1.1 To inform Council of the proposed Council Tax Reduction Scheme from April 2021. Full Council is required to approve the Council Tax Reduction Scheme by 11 March each year.

2. Decision(s) recommended

2.1 Council is asked to agree to the recommendation from the Cabinet meeting of 5 November 2020 that the current scheme continues and no changes are made to the Council's Council Tax Reduction Scheme from April 2021.

3. Matters for Consideration

3.1 In April 2013 the national Council Tax Benefit regulations were abolished and local authorities became responsible for developing their own local schemes for Council Tax support.

3.2 Each year full Council has to approve the Council Tax Reduction (CTR) scheme for the following year even if no changes are proposed. Approval by full Council is required by 11 March of the year prior to any scheme coming into force.

- 3.3 From April 2017 all working age claimants in Solihull who claim CTR are required to pay a minimum of 15% towards their Council Tax charge. Those claimants of pensionable age claiming CTR remain protected by the original national scheme

Impact of Covid-19

- 3.4 The impact of Covid-19 has resulted in an increase in the number of new claims received for CTR. The Council receives CTR claims through two sources – through our online application form and directly from the Department of Work and Pensions where the claimant has made a claim for universal credit and is of working age.
- 3.5 We usually receive an average of 300 new claims per month for those of working age. This has increased to an average of 591 new claims per month from February 2020 to December 2020.
- 3.6 Our CTR caseload as at December 2020 is 14,116. This is an increase of 1,208 cases compared to December 2019. The number of working age CTR claimants now represents 62% of the total number of cases.

CTR Caseload Figures (as at April each year apart from 2020)	
2013	18,500
2014	16,604
2015	16,085
2016	15,337
2017	14,727
2018	13,428
2019	12,903
2020	14,116

- 3.7 Government has provided local authorities with a 'Covid-19 Hardship Fund'. The Covid-19 Hardship Fund relates to the 2020/21 financial year only and is designed to meet the immediate needs of all working age taxpayers who are currently claiming local council tax reduction. The value of the fund is £1.572million.
- 3.8 10,570 working age claimants have been eligible to receive the funding, and payments of £1.445million have been made (10,570 is the total number of claimants who have received a hardship payment and is higher than our current working age caseload figures as claimants move off CTR if their circumstances change).

Collection Rates

- 3.9 Based on analysis of the impact on collection rates seen by authorities who introduced a minimum payment requirement for their CTR schemes we assumed a collection rate of 80% for our CTR claimants.
- 3.10 Our collection statistics show that we collected 81.84% of council tax from CTR claimants in 2019/20 which exceeded our target by 1.84%.
- 3.11 In recognition of the challenging financial circumstances faced by residents as a result of Covid-19, the Council did not issue any payment reminder notices from March 2020 to July 2020. No liability order hearings took place during this time and no enforcement action was taken. This has had an impact on our collection figures for 2020/21 to date.
- 3.12 As at the end of December 2020, the collection rate for CTR claimants of working age is 66.43%. This compares to 69.50% in December 2019 - a difference of 3.07% (in monetary terms £54k). Recovery action has now commenced and along with the issuing of payment reminders we continue to provide help and support to any CTR claimant experiencing financial hardship.

Support Mechanisms

- 3.13 Since the introduction of the minimum 15% payment of council tax for working age CTR claimants we have worked with our financial inclusion partners to put measures of support in place for claimants who find it difficult to pay. A summary of the current support mechanisms available is detailed below.
- 3.14 The Financial Inclusion Officers in Income & Awards are proactively contacting CTR claimants that have fallen into persistent arrears on their account. As part of this contact, officers are engaging with claimants to help them undertake personalised budgeting and maximise their entitlements to benefits, exemptions and further discounts. Officers on this team are working closely with the community advice hubs to ensure debt counselling and specialist welfare benefit assistance is being offered to help claimants make affordable repayments.
- 3.15 As part of this personalised budgeting, officers are identifying where claimants may qualify for discretionary grants. We are utilising the Discretionary Hardship Payment Scheme to clear any eligible rent arrears or cover short term housing costs to provide breathing space for the repayment of council tax debt. Importantly, prior to the Covid-19 restrictions in taking court action, this intervention had prevented rent arrears cases from being entered into court by their landlords and at the same time enabled claimants to find additional income to pay their council tax in part or full.
- 3.16 Regular case conferencing has been established within the Income & Awards Team to identify complex CTR cases that have exhausted all recovery options and personalised budgeting support. In these instances, officers are considering the use of the Discretionary Reduction in Liability for Council Tax as set out by Section 13A (1)(c) of the Local Government Finance Act 1992. An online application form has been developed with guidance to help make it easier for applicants to get the right help.

- 3.17 Where claimants have been told to isolate as a result of Covid-19 and have a significant reduced income, we are working in partnership with the Helping Hands food bank to facilitate food parcels. In addition, we are issuing pre-paid meter top ups to provide emergency heating. The Test & Trace Support Payment Scheme is also in place from 28 September 2020 to assist those who either test positive for Covid-19 or who are told to self-isolate and who are on a low income. A payment of £500 is made to those eligible.
- 3.18 For those on a low income who are moving to affordable accommodation, the Financial Inclusion Officers are assisting with rent deposits, rent in advances and basic furnishings to reduce the pressures of setting up a new home and the impact of paying other priority debts such as council tax. They are working closely with the home options team at Solihull Community Housing to target residents that are threatened with homelessness.

4. What options have been considered and what is the evidence telling us about them?

- 4.1 We could consider revising the CTR scheme to decrease or increase the minimum payment of 15% for our working age claimants. However given the reasons in section 5 this is not our preferred option.

5. Reasons for recommending preferred option

- 5.1 The reasons why we are not proposing to make any changes to our CTR scheme are:
- (a) The support for claimants is based on each individual's ability to pay and this means tested approach is fair and equitable.
 - (b) Pensioners continue to be protected under the original scheme rules.
 - (c) Collection rates for CTR claimants have been achieved in 2017/18, 2018/19 and 2019/20. Although current collection rates are lower than compared to the same time in previous years, this is as a result of the Council's decision to not undertake any recovery action from March 2020 to July 2020.
 - (d) The Council provides a variety of support mechanisms as detailed in section 3. These support mechanisms are available for any CTR claimant who is suffering financial hardship as a result of their council tax liability. The support mechanisms are in place to offer longer term solutions to help claimants with money management.
- 5.2 As outlined in section 6.3 below, the cost of the CTR scheme has increased significantly as a result of Covid-19. Any change to the CTR scheme which increases the costs further will put additional pressure on the MTFs at a time when the Council's finances are under substantial strain.

6. Implications and Considerations

6.1 State how the proposals in this report contribute to the priorities in the [Council Plan](#):

Priority:	Contribution:
Economy: 1. Revitalising our towns and local centres. 2. UK Central (UKC) and maximising the opportunities of HS2. 3. Increase the supply of housing, especially affordable and social housing.	N/A
Environment: 4. Enhance Solihull's natural environment. 5. Improve Solihull's air quality. 6. Reduce Solihull's net carbon emissions.	N/A
People and Communities: 7. Take action to improve life chances in our most disadvantaged communities. 8. Enable communities to thrive. 9. Sustainable, quality, affordable provision for adults & children with complex needs.	CTR provides means tested awards to those residents who require financial support in relation to their council tax liability.

6.2 Consultation and Scrutiny:

6.2.1 In accordance with Schedule 1A of the Local Government Finance Act 2012, paragraphs 3 and 5 confirm that there is a requirement to review the CTR scheme each year however consultation is only required when revisions or replacements are proposed. As no revisions or replacements are proposed to the CTR scheme for April 2021 consultation is not required.

6.3 Financial implications:

6.3.1 The total estimated cost of the CTR scheme in 2020/21 was £11.676 million, the Council's share of which was reflected in our council tax base for the year.

6.3.2 As at September 2020, the estimated cost of the CTR scheme had increased by 11% to £12.913 million. The increase in the SMBC element of the in-year cost of the scheme will form part of the forecast deficit on the Council's collection fund, which is being captured as part of the Covid-19 reporting. In response to the disruption caused by the pandemic, local authorities will be allowed to spread their collection fund deficits over three years rather than the usual one, and the effect of this on the MTFS (currently estimated at £585,000 per annum) will be addressed through the budget strategy process.

- 6.3.3 Additional grant funding of 75% of councils' 2020/21 collection fund deficits was announced as part of the Spending Round in November 2020. In addition, funding has been announced to support the Council's cost of CTR in 2021/22. The Council's share of these funding streams will also be addressed through the budget strategy process.
- 6.3.4 The position as at September was used to inform the latest estimate of the impact on the Council's tax base for 2021/22. This was reported to the Budget Strategy Group and addressed as part of the MTFS update.
- 6.3.5 The tax base for 2021/22, including an updated assessment of the cost of the CTR scheme, was approved by the cabinet member for Resources in January 2021.
- 6.4 Legal implications:
- 6.4.1 None
- 6.5 Risk implications:
- 6.5.1 There is a risk that the CTR caseload could continue to increase depending on the progress of the pandemic, when and how current restrictions are tightened or eased and the path of economic recovery from the disruption caused by Covid-19.
- 6.5.2 Any increase in the caseload prior to 30 November would be taken into account as part of the tax base calculation for 2021/22, but further increases after that date would increase the 2021/22 council tax deficit on the collection fund.
- 6.5.3 The number of working age CTR claimants as at September 2020 represented an increase of 16% compared to April 2020 figures. The impact of further increases in the working age caseload of 8% and 16% above September 2020 levels has been modelled to give an indication of the sensitivity of the assumptions included in section 6.3 above.

% increase in working age caseload (compared to Sept 2020)	Total estimated caseload	Estimated additional cost compared to Sept assumption
+8%	14,921	£0.492m
+16%	15,620	£0.984m

- 6.6 Equality implications:
- 6.6.1 From the monitoring undertaken the most significant impact has been for those of working age. Our working age vs pensioner caseload split prior to 2020/21 was 51% working age vs 49% pensioner. This has now risen to 62% working age vs 38% pensioner and is as a result of Covid-19. Mitigating actions to address this has included implementing the government's Council Tax Hardship Fund for 2020/21 to award a maximum of £150 to all those of working age in receipt of CTR (this is applied directly to their bill) and we have also reviewed and updated our Council Tax Discretionary Reductions Policy. This policy applies to any ratepayer regardless of age but the majority of claims so far have been from those of working age.

6.6.2 As there are no changes proposed to the CTR scheme from last year a Fair Treatment Assessment has not been undertaken. We will continue to monitor how many groups covered under the scheme may be affected and will address or mitigate against any negative impact that arises. This includes maximising the use of the support mechanisms referred to in section 3.

7. List of appendices referred to

7.1 None

8. Background papers used to compile this report

8.1 None

9. List of other relevant documents

9.1 Solihull Council's Proposed Council Tax Reduction Scheme for 2021/22– A full copy of this document will be circulated by email to Members as a supplement to the agenda.