



## Resources and Public Realm Scrutiny Committee

14 July 2020

**Report from the Strategic Director of Customer  
and Digital Services**

### Social Welfare and Financial Inclusion: the COVID-19 Support Fund

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
<b>No. of Appendices:</b>	2 Appendix 1 –COVID-19 Interest Free Loans Eligibility Criteria Appendix 2 - Poverty Commission Feedback
<b>Background Papers:</b>	0
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#### 1.0 Purpose of the Report

- 1.1 This report considers the social welfare implications of the current COVID-19 epidemic and the support available to Brent residents.
- 1.2 The report also outlines a proposal to introduce two new support funds using the surplus money from the Council Tax: COVID-19 Hardship Fund 2020-21, which will be considered by Cabinet on 20 July 2020 for approval. The proposal includes:

1. A grant facility delivered by the Council
2. An interest free loan administered by a Credit Union

## **2.0 Recommendations**

- 2.1 Members of the Committee are asked to comment on the proposals within the report.
- 2.2 Members of the Committee are also asked to provide any recommendations on the proposals in advance of the Cabinet meeting on 20 July 2020.

## **3.0 COVID-19 Social Welfare Implications**

### *Council Tax*

- 3.1.1 Council Tax collection rates at the end of May were 19.4% compared to 22.6% for May 2019. The number of residents in receipt of Council Tax Support has increased by 5.3% from 17,510 at the start of the year to 18,438 as more residents are claiming Universal Credit.
- 3.1.2 1,215 Council Tax account holders have contacted the Council to inform us that they have been affected by COVID-19 and are struggling to make Council Tax payments. Deferred payments have been offered to those impacted by the pandemic and hardship payments of £150 have been awarded to working age recipients of Council Tax Support.
- 3.1.3 Recovery of Council Tax debt was paused during lockdown. As of 8 June 2020, reminders for amounts owed over £200 restarted, excluding those who are on Council Tax Support. The Council is implementing a treble touch campaign, which will take a soft approach to seek contact from residents for smaller balances under £100. Contact includes:
  1. An automated voice message
  2. SMS text message
  3. Email

### *Housing Benefit*

- 3.2.1 The Council is processing more complex changes in circumstances. Previously someone changing jobs would just be one change to be processed. A furloughed customer could now have a least the following changes to be processed on different days:
  - Furloughed with no income for several weeks
  - Child Care costs stop
  - Tax Credits change following the first two changes
  - Furlough support paid to the claimant
  - Returns to work
  - Child Care Costs resume
  - Tax Credits change

### 3.3 *Universal Credit*

3.3.1 Universal Credit applications in Brent reached a record high of 18,775 in the period 1 March to 9 May 2020. Of the London Boroughs, Brent has the second highest claim rate behind Newham, which has the highest.

### 3.4 *Debt Overview*

3.4.1 The Council has taken a supportive approach for collecting debt during the COVID-19 period. Contact has been made with customers who have outstanding debts to the Council and routes of support have been offered to help manage debt through:

- The Council Tax Support scheme
- Accessing benefits such as Universal Credit and Housing Benefits
- Deferred payment agreements
- Actively sign posting to third party support

3.4.2 Enforcement action through the court bailiffs is currently postponed. The Council is working towards an open and collaborative working relationship with a Brent-based money advice agency.

3.4.3 Identifiers have been included in the Housing Benefits Overpayment and Adult Social Care debt systems to flag those residents who contact us to tell us they have been impacted by COVID-19.

### 3.5 *Government Support Schemes*

3.5.1 The government has introduced a number of national schemes to protect individual's income and help those who may be facing financial hardship due to COVID-19. These include:

- The Coronavirus Job Retention Scheme and Self-Employed Income Support Scheme
- Repayment holidays for mortgage, personal loans and other credit products
- Pause on debt enforcement, housing possessions and evictions

3.5.2 As a borough, Brent has the second highest number of residents who are on the government's furlough scheme out of all London Boroughs – 49,900.

3.5.3 Of the residents in Brent furloughed, 23,300 reside in the Brent Central constituency and 20,400 in the Brent North constituency. The Hampstead and Kilburn constituency, which spans Brent and Camden, has 13,800 residents furloughed.

## 4.0 **Covid-19 Support Fund**

- 4.1 The Ministry of Housing Communities and Local Government (MCHLG) has paid each Local Authority an amount of money, with the “strong expectation” that this will be used to credit £150 to the Council Tax liabilities to all Working Age Council Tax Support Customers, where the liability is not already nil.
- 4.2 Brent’s allocation is £3.9 million.
- 4.3 Brent’s new Council Tax Support scheme award pays 100% to a relatively large proportion of the Working Age tax base already. Modelling suggests that after £150 has been paid to all current and future liabilities in 20/21, there will be approximately £2.6 million remaining in this fund. That said, the amount spent is expected to increase, as more residents are likely to apply for Local Council Tax Support (LCTS) in the current COVID-19 climate.
- 4.4 The Council is free to use this additional money to meet the needs of local residents who have been affected by the virus outbreak, the funds must be spent by 31st March 2021.
- 4.5 In May 2020, a cross-council group was convened to look at the impact of COVID-19 on Financial Inclusion in Brent and develop solutions to address the issues arising in response to the pandemic. The group included Officers from Brent Community Hubs, the Children and Young People Directorate, Employment Skills and Enterprise, Customer Access, Strategy and Partnerships and Housing and Neighbourhood Services.
- 4.6 Two proposals for the use of surplus funds are being submitted to Cabinet for consideration on 20 July. These include:
  - A grant fund to be administered by the Council;
  - An interest free loan to be administered by a Credit Union.

## **5.0 Grant Funding**

- 5.1 The grants made will be delivered by colleagues across Brent in Customer Access, Housing, and the Community Hubs. Decisions will be made at these first points of contact. An eligibility criteria is being developed and will include the need for those accessing grant funding to be Brent residents financially impacted by COVID-19, and a simple means test which is likely to be a capital disregard sum in line with other benefits and grants administered by the Council, such as the Council tax reduction scheme.
- 5.2 Colleagues across Brent were widely consulted on how the fund could be used to support residents where current mechanisms fall short of remedying the fundamental issues they are facing. Set out below are the proposals on how the Council will award the grant fund:
  - Parachute payments to ease the financial pressures experienced by those waiting to receive their first Universal Credit payment

- Training to help people retrain and access employment opportunities
- Support clearing rental arrears
- A digital inclusion support package which includes a laptop, broadband connection and digital skills training
- Support with unexpected expenditures due to the pandemic such as costs to cover online food delivery charges
- Meeting residents basic needs by supporting food banks and providing fuel vouchers
- Funding debt advice from a Brent based money advise agency
- Mortgage support
- Bereavement support
- Financial support to help residents identified through track and trace to self-isolate

## **6.0 Interest Free Loans**

- 6.1 As the virus outbreak and lockdown have advanced, there has been a significant increase in the up-take of Welfare Benefits. In the first weeks following the lockdown, 1.5 million claims for Universal Credit were made in a week. There is a risk that someone with an impaired credit history who is unable to access bank loans may be in a position that they turn to a loan shark or pay-day lender for financial support, with repayment plans that are unrealistic and inflated interest rates.
- 6.2 It is proposed that the Council uses surplus money from the COVID-19 hardship fund to work with a Credit Union to administer an interest free loan facility. The Credit Union will be responsible for undertaking a financial assessment and facilitating the loan agreement and payment of monies to resident's debtors.
- 6.3 It is anticipated that the Council will pay a fee to the Credit Union for each loan administered. The exact cost of the scheme will be dependent on a number of factors including the term and amount of the loan. Market testing has indicated that the contract will be 'low value' under the Council's constitution and as such, officers will seek to obtain at least three quotes from Credit Unions that operate in the Brent to ensure value for money.
- 6.4 The loan will be targeted towards residents who have been financially impacted by COVID-19 as per the obligations of the MHCLG fund; have multiple debts; and are unable to access mainstream financial support. An interest-free loan will be given to clear outstanding debts in order to maintain

resident's housing tenure, whilst helping them build a credit profile. Appendix 1 outlines the proposed draft eligibility criteria to access a loan.

- 6.5 Referral routes with a Brent based money-advice agency will be established to identify additional support for residents who are not deemed eligible for a loan, or for those residents who are in receipt of a loan and default on a repayment.

## **7.0 Financial Implications**

- 7.1 The Hardship grant awarded to the Council is £3.9m and modelling undertaken to date suggests £1.3m will be spent on reducing the bills of working age claimants of CTS by up to £150, leaving £2.6m to fund the activities proposed in this report.
- 7.2 There is a risk that the cost of providing further CTS to working age claimants increases beyond the £1.3m spend currently forecast as more residents become eligible for CTS. If this transpires, the activities proposed in this report will need to be scaled back accordingly. Therefore, strong financial controls will need to be implemented from the outset to ensure total expenditure does not exceed the £3.9m grant amount.
- 7.3 The hardship grant will fund the interest on each loan, including any one off set up costs. The interest amount will vary depending on the assessment of the credit union. Furthermore, as the Council will be underwriting these loans, any defaults will become the liability of the Council to fund, which reduces the amount available for further loans and direct grants.

## **8.0 Legal Implications**

- 8.1 The money that is paid out under the Council Tax COVID-19 hardship fund 2020-21 by MHCLG to Brent Council as a billing authority is made through a grant under section 31 of the Local Government Act 2003.
- 8.2 Paragraph 13 of the Council Tax COVID-19 hardship fund 2020-21 Local Authority Guidance ("the Guidance") states the Government's strong expectation is that billing authorities will provide all recipients of working age local council tax support ('LCTS') 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. On 26 May 2020, the Chief Executive used her emergency powers to approve the reduction in council tax liability of up to £150 for the period of 2020/21 for those council tax payers living in Brent who are of working age and in receipt of LCTS.
- 8.3 The Council Tax COVID-19 hardship fund 2020-21 Local Authority Guidance ("the Guidance") sets out the grant provisions for those working age Local Council Tax Support recipients. The said Guidance also states that having allocated grant monies to reduce the council tax bill of working age Local

Council Tax Support recipients by a further £150, billing authorities should establish their own local approach to using any remaining grant monies to assist those in need. This point is expanded in paragraph 19 of the Guidance.

- 8.4 The Council is also proposing to use grant monies under the Council Tax COVID-19 hardship fund 2020-21 to fund discretionary reductions in council tax liability pursuant to its proposed policy under section 13A(1)(c) of the Local Government Finance Act 1992 and that policy will be submitted to the Cabinet for approval on 20 July 2020.
- 8.5 The Council has powers to administer and distribute grant funding and implement the proposals set out in sections 5 and 6 of this report pursuant to the general power of competence as set out in section 1 of the Localism Act 2011. Any distribution of grant funding will need to be in accordance with delegated powers in Part 3 of the Council's Constitution. There will need to be an agreement between the Council and the recipient to govern the terms and conditions of the grant.
- 8.6 With regard to the recommendation to make interest free loans, the selection of a Credit Union for processing loans would be classed as a procurement. Based on the estimated value referred to in paragraph 6.2 above for the delivery of the service, the value of the the contract for the purposes of the Council's Constitution will be classified as a "Low Value Contract". Contracts valued between £25,000 and £189,330 are classed as "Low Value Contracts" under the Council's Constitution. Pursuant to Contract Standing Order 86 (c) of Part 2 of the Council's Constitution no formal tendering procedures apply to Low Value Contracts, except that at least three (3) written quotes must be sought and the quotes sought and/or obtained shall be recorded or alternatively the contract is procured through the Online Market Place. Where quotes are sought, advice must be sought from the Council's procurement officers about how to select the three organisations to be invited to quote and how to structure the quotation process. Unless the Council's procurement officers advise that it is not necessary or appropriate, all quotes shall be sought using the Electronic Tender Facility and at least one of the quotes shall be sought from a Local Brent provider.
- 8.7 Consideration will also need to be given to ensuring that such arrangements for capital funding are state aid compliant. Given the purpose of the funding, it is likely to satisfy the requirements of the Services of General Economic Interest Block Exemption
- 8.8 There will need to be an agreement between the Council and Credit Union to govern the contractual relationship between the parties and to ensure that any monies invested are ring-fenced for the categories of borrowers identified. The Council will also need to approve any loan template between the Credit Union and the individual borrowers.

## **9.0 Equality Implications**

- 9.1 A full Equalities Impact Assessment has not been carried out. This scheme is intended to benefit all residents in Brent affected by the virus-outbreak and will be available to all eligible residents, including those in any one of the 9 protected groups.
- 9.2 We will be advertising this scheme through our partners in the charity sector and would expect them to help us reach their clients and patrons to make sure they are applying for this additional support.
- 9.3 No resident will be worse off because of these proposals.

## **10.0 Any other implications**

- 10.1 N/A

## **11.0 Proposed Consultation with Ward Members and Stakeholders**

- 11.1 Because of the urgency of the current pandemic situation, the need for payments in loans and grants to be made as soon as possible to support local residents in financial difficulty arising from the pandemic situation and as this funding from the Government must be spent by March 2021, it is proposed that a consultation process is not carried in relation to the proposals in this report.

**Report sign off:**

**Peter Gadsdon**

Strategic Director of Customer and Digital Services